

1. Financial Statements

1.1 Opinion

The audit of the Financial Statements of the Property Development Ltd (the “Company”) for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of comprehensive income, statement of changes in equity and statement of cash flow 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 considered would be report to Parliament appear in this report. To carry out this audit I was assisted by a firm of chartered accountant in public practise.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of their financial performance and their 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 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 intends 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 and 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

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

1.5 Audit observations on the preparation of Financial Statements

1.5.1 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non Compliance	Management Comment	Recommendation
(i) Section 2 of Prevention of Frauds Ordinance, No. 07 of 1840 and Rule 14(30A) of Amendment to the Notaries Act No. 31 of 2022.	As per the said Instruction, it shall be the duty of every notary to submit for registration to the Registrar, every deed or instrument attested by him before the expiry of thirty days from the date of attestation thereof. However, the Company has not registered Regency Agreement in the land register within the stipulated time.	We will liaise with Bank of Ceylon and arrange registration of Tenancy Agreement with the relevant Authority accordingly.	Adhere to register every deed or instrument within stipulated time.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a profit of Rs.793 million and the corresponding profit in the preceding year amounted to Rs.650 million. Therefore, an increase amounting to Rs.143 million of the financial result was observed. This was mainly due to the increase of finance income by 182.5 per cent. While the revenue increased by 5.7 per cent during the year under review, the operating expenses were increased by 19.5 per cent which is greater value than the revenue increase. However, the impact was neutralized due to the increase of finance income by a higher percentage.

2.2 Trend Analysis of major Income and Expenditure items

Analysis of major income and expenditure items of the year under review as compared with the preceding year with the percentage of increase or decrease are given below.

Description	Variance Amount Increase/(Decrease) (Rs.)	Variance %	Reason for the Variance
Revenue	52,412,823	5.7	Revenue has increased by 5.7 per cent due to increase of rent charge for BOC Head Quarter Building from Rs.124 to 132 per square feet with effective from 01 July 2022.
Other Operating Income	(28,155,742)	(74)	Other operating income has decreased by 74 per cent compared to the preceding year, mainly due to decrease of sundry income which includes Rs.27,777,778 received from Bank of Ceylon in 2021 as reimbursement for capital expenditure.
Direct Expenses	36,759,896	25.1	Direct expenses have increased by 25.1 per cent, mainly due to increase of maintenance expenses by 47.1 per cent during the year 2022.
Employee Benefits Expenses	33,839,348	22.1	Employee Benefits Expenses has increased due to increase of salaries and wages by 19.6 per cent.
Finance Income	371,794,939	182.5	Finance Income has increased by 182.5 per cent, mainly due to increase of Interest on Fixed Deposits by Rs.306,800,308 in the year 2022.
Income Tax Expenses	173,591,780	126.1	Income Tax Expenses has increased by 126.1 per cent mainly due to the increase of current tax chargers by 54.8 per cent as a result of increase in tax rate from 24 per cent to 30 per cent.

2.3 Ratio Analysis

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

Ratio	2022	2021
Net Profit Ratio (%)	51.7	58
Return on Total Assets (%)	16.6	14.7
Return on Equity (%)	13.8	14.1
Current Ratio (Number of Times)	14.5:1	20.7:1

It was observed that all the ratios other than the return on total assets ratio were decreased during the year under review when compared with the preceding year.

3. Operational Review

3.1 Delays in Projects or Capital Work

Although following capital works were budgeted and made provisions in 2022 budget, works have not been done during the year 2022.

	Description	Budgeted provision (Rs.000)	Remarks	Management Comments	Recommendation
(i)	Upgrading of Chiller Management System	4,000	Full budget allocation for the upgrading of Chiller Management System has not been utilized during the year 2022.	The Management decided to defer the project to 2023 as the existing system can be used for a further period of 12 to 18 months.	Need to budget at right time without any delay or earlier.
(ii)	Replacement of 11KV Power Cables from Basement 2 to Floor 17 & Replacement of 11KV Isolator Panel on Floor 17	30,000	Full budget allocation for the replacement of 11KV Power Cables from Basement 2 to Floor 17 & Replacement of 11KV Isolator Panel on Floor 17 has not been utilized during the year 2022.	The Contract was awarded to Minel Lanka (Pvt) Limited on 01 April 2022. The establishment of Letters of Credit for importing the required 11 kV Power Cables and Ring Main Unit has got delayed due to shortage of foreign currency in the country.	Since contract was already awarded, need an effort to expedite the work in order to minimise the possible losses from delay.

3.2 Human Resources Management

Following differences were observed between the Board approved cadre and the actual carder as at 31 December 2022. The Board of Directors approved the cadre on 04 April 2018 when the company was registered as a Public Limited Company. However, the company's status has changed to a Private Limited Company due to delisting occurred on 27 October 2022. It was observed that the Company is presently having an excess staff as compared to the existing activities and operations of the Company. The Board had not taken actions to make necessary changes to the existing approved cadre of the Company by considering the Company's present activities and operations after the delisting.

Staff Position	Approved Cadre	Actual Cadre as at 31.12.2022	Difference	Management Comments	Recommendation
EXECUTIVE STAFF					
Chief Executive Officer	1	1	-	Subsequent to de-listing of the Company with effect from 27 October 2022 status of the Company has been changed to Public Limited Company from Public	Since carder approval date is so spaced need to review the carder level of the company.
Deputy Chief Executive Officer	1	1	-		

Deputy Maintenance Manager	1	1	-	<p>Quoted Company with a new registration No.PB 00267734 [previously PQ 106]. (Status has not been changed to a private limited company).</p> <p>Following details are provided with regard to delisting of the Company.</p> <p>No. of shareholders prior to delisting - 3415</p> <p>No. of shareholders who accepted delisting offer - 525</p> <p>No. of shareholders after delisting - 2890</p>
Engineer	4	3	1	
Manager Finance/Accountant	2	1	1	
Assistant Accountant	2	1	1	
Manager (HR&A)	1	1	-	
Senior Executive (HR&A)	1	1	-	
Confidential Secretary	1	1	-	
Engineering Assistant	1	1	-	
Total Executives	15	12	3	

MAINTENANCE STAFF

Junior Technicians - Gr. II, Gr I and Trainee	13	9	4	<p>After delisting all the remaining shareholders are ledger shareholders (Not CDS account holders) and all their share related work and their administrative matters are now being routed through PDL instead of the stockbrokers. Therefore, no reduction of work related to shareholders after delisting, rather it is now more complicated and high volume operation. Further, scope of work and primary operational activities of the Company have not been curtailed or changed due to status change of the Company and it continues in full capacity. Therefore, status change has not impacted on volume of work and operational activities of the Company. Only change occurred was non-applicability of</p>
Senior Technicians - Gr. II, Gr I, Special Gr II, Special Gr. I	40	33	7	
Chargehand	4	4	-	
Foreman	2	2	-	
Senior Secretary - Special Gr, Supervisory Gr. Officer Gr. II, Gr. I	1	1	-	
Junior Secretary - Trainee, Clerical Gr. II and Gr. I	1	1	-	
Total Maintenance Staff	61	50	11	

FINANCE DEPARTMENT

ACCOUNTS SECTION

Clerical Gr. II, Gr. I, Special Gr. & Supervisory Gr.	5	3	2	
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Secretary- Trainee, Clerical Gr. II, Gr. I, Special Gr. & Supervisory Gr	1	0	1	Colombo Stock Exchange (CSE) Listing Rules to PDL as the Company has been delisted from the Official List of the CSE. The administrative works involved in complying with CSE rules were not a considerable volume compared to operation activities of the Company. With the prevailing crisis in the country, the Company maintains only minimum requirement of employees who are essential for the business continuity. The approved cadre represents optimum level of employee requirement for the business continuity. The approved cadre has been decided after undertaking a detailed work-study which included the functions and responsibilities of each department, analysing the work scope of each operational activity of each department, skilled levels required to carry out each major activity etc.
Officer Gr. II, Gr. I	3	3	-	
PURCHASING SECTION				
Clerical Gr. II, Gr. I, Special Gr. & Supervisory Gr. & Officer Gr. II, Gr. I	2	2	-	
IT SECTION				
Clerical Gr. II, Gr. I, Special Gr. & Supervisory Gr. & Officer Gr. II, Gr. I	2	2	-	
STORES				
Support Staff - Gr II, Gr. I, Special Gr.	2	2	-	
Clerical Gr. II, Gr. I, Special Gr. & Supervisory Gr.	2	2	-	
Officer Gr. II, Gr. I	1	1	-	
PROCUREMENT DEPARTMENT				
Procurement Officer / Executive	1	0	1	
Clerical Staff	1	0	1	
Secretary to Procurement Division	1	0	1	
Total Finance Department	21	15	6	
HR & ADMINISTRATION DEPARTMENT				
Support Staff - Gr. I, Supervisory Gr.	5	5	-	

Support Staff - Gr II, Special Gr.	4	4	-
Clerical Gr. II, Gr. I, Special Gr. & Supervisory Gr.	5	3	2
Officer Gr. II, Gr. I	2	2	-
Total - HR & Administration Department	16	14	2
Total Employees	113	91	22

4. Accountability and Good Governance

4.1 Budgetary Control

4.1.1 Following variances were observed between the budgeted maintenance expenditure and the actual maintenance expenditure of the Company during the year 2022.

Description	Budgeted provision (Rs.)	Actual Expenses (Rs.)	Variance to the Budget (Rs.)	Management Comments	Recommendation
(i) Maintenance of Air Conditioning & Mechanical Ventilation System	17,300,000	6,590,973	(10,709,027)	Expenses incurred relating to supply and installation of motorized valves for Air Handling Units were accumulated under Work In Progress (WIP) until clear distinction is made between Capital and Non-Capital nature of expenditure. Charging expenditure to P & L will be done during the year 2023.	Make effort to minimise the gap between Budget and Actual expenses.
(ii) Maintenance Expenses of Electrical	2,350,000	4,640,479	2,290,479	2 Nos. old Moulded Case Circuit Breakers at the Main Low Voltage Switchgear Panel were replaced. Provisions have not been made in the Maintenance Budget for the replacement of these items.	

(iii)	Fire Detection & Protection System	1,200,000	2,156,847	956,847	Damaged hoses, drums, nozzels etc., of Hose Reel System were replaced as recommended by Fire Service Department after the annual fire inspection – 2022 of the building. Provisions have not been made in Maintenance Budget for the replacement of these items.
(iv)	Maintenance Expenditure on Services to Other Organizations & Miscellaneous	558,000	846,865	288,855	Due to higher miscellaneous maintenance activities than expected at the time of preparing the budget.
(v)	Expenditure on PABX & Telephone System and Voice Logger System	100,000	538,386	438,386	New telephone instruments had to be purchased for the new PABX System purchased for the Company. However, provisions have not been made in Maintenance Budget for the purchase of these items.
(vi)	Expenditure on Materials for BOC Jobs	6,096,000	9,281,480	3,185,480	Due to significant increase in material prices than expected at the time of preparing the budget
(vii)	Expenditure on Façade Lift	200,000	354,511	154,511	Due to more maintenance activities than expected at the time of preparing the budget.
	Total	27,804,000	24,409,541	(3,394,469)	

4.1.2 Considerable deviations were observed between the Board approved major work plans, targets and the actual work performed by the company for the year 2022. Details are as follows.

	Description	Budgeted provision (Rs.000)	Actual Expenses (Rs.000)	Deviation (Rs.000)	Remarks	Management Comments	Recommendation
(i)	Supply & Installation of Motorized Valves of AHUs and Central Control and Monitoring System (continued from 2021)	15,000	15,485	(485)	The capital expenditure amount of Rs.15,000,000 was planned to incur during the period from January to March. However, the actual work was done during the period of September to December. Therefore 6 months delay was observed with over expenditure of Rs.485,000.	After the Third Wave of Covid -19 Pandemic, the Contractor, Nosters (Pvt) Ltd. re-commenced the Contract work in November 2021 and the completion of the Contract work got delayed due to the situation prevailed in the Country during the period from January to June, 2022.	Need to expedite completion of works which are at interim stages in order to be more economic, efficient and effective.

(ii)	Renovations to Lift Lobbies at Floors 1&2 (continued from 2021)	5,500	787	4,713	The capital work amount of Rs.5,500,000 was planned to incur during the period from January to June. However, the actual work started with 7 months delay in August, September, November, and December. Due to the delay of starting the work only Rs.787,000 has been utilized from the allocation.	Due to shortage of constructions materials such as wall tiles, ceiling materials etc., in the market, the completion of the contract got delayed.
(iii)	Upgrading/ Modernization of Centre Core Toilets in Basements 2 & 3 and Outer Core Toilets on Floor 30 (continued from 2021)	3,500	1,245	2,255	The capital work amount of Rs. 3,500,000 was planned to incur during the period from January to April. However, the actual work started in November with 7 months delay. Due to the delay only Rs.1,245,000 has been utilized from the allocation.	Due to shortage of construction materials such as floor tiles, wall tiles sanitary fittings etc. in the market, the completion of the Contract got delayed.
(iv)	Supply and Installation of Addressable Fire Detection & Alarm System (continued from 2021)	35,000	41,946	(8,557)	The capital work amount of Rs.35,000,000 was planned to incur during the period from January to May. However, the actual expenditure paid and accrued during the year has been	Actual expenses are to be corrected as Rs.41,946,000.00 The completion of the Contract got delayed due to the situation

increased by Rs. 8,557. prevailed in the Country during the period from January to June 2022. The Initial Contract Price approved by the Board has not exceeded although the Actual expenses have exceeded against the budgetary provision for the relevant period.

Total	59,000	59,463
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