

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 2024 comprising the statement of financial position as at 31 December 2024 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 2024, 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 should be submitted to the Registrar General of Companies within 30 working days after holding the Annual General Meeting, the Annual Reports for the years 2020, 2021 and 2022,2023 had not been Submitted.	Due to defects in the previously filed documents and lack of registration, access to the website of the Companies Registrar Department has not been provided for further action	Actions should be taken in terms of the Companies Act.

2. Financial Review

2.1 Financial Results

The operating result for the year under review was a loss of Rs. 15,408, compared to a loss of Rs. 48,920 in the previous year. Accordingly, an increase of Rs. 33,512 was observed in the financial result. There was no income generated in the year under review and only audit fee expenses of Rs. 15,408 were incurred.

2.2 Ratio Analysis

Retained earnings for the year decreased by 0.14 percent, accounts payable decreased by 13 percent, and current assets decreased by 0.10 percent.

3. Operational Review

3.1 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
a) This company was initially established in 1985 to engage in the property development business and its objectives were later changed to include the purchase, sale/lease or rental of cars, lorries, buses, vans, taxi cabs, omnibuses or any other type of vehicles from 01 August 2007. However, from the year 2017 to the year 2023, only Rs. 982,889 was shown in the income statement as audit fees, income tax, secretarial fees and salaries, electricity and water charges and an expenditure of Rs. 15,408 as audit fees in the year under review, and apart from that, no operational activities had been carried out.	The company is currently not operating and the Board of Directors investigating the possibility of liquidating the company and striking off its name from the Companies Registrar's Department office, in accordance with the last Board of Directors decision.	Management should take steps to enable operations to achieve the company's objectives or to liquidate the company.
b) The 8-acre Hokandara land owned by the company was valued at Rs. 3,801,363 in 2014 and the balance of Rs. 13,958,641 in the current account number 3068095 in 2015, and the parent company, Associated News Papers of Ceylon Limited, had taken over the company and the company had responded to the audit observations of the previous year that it was expected to continue operating, but although the Board of Directors had decided to liquidate the company in the year under review, it had not been liquidated by 31 March 2025.	The company is currently not operating and the last decision taken by the Board of Directors is to liquidate the company and remove its name from the Companies Registrar's Department office, and to act accordingly.	Management should take steps to enable operations to achieve the company's objectives or to liquidate the company.

