

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Litro Gas Lanka Limited (“Company”) for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of 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 report to Parliament appear in this report.

In my opinion, 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.

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 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

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 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 Sri Lanka Accounting Standard

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
(a) The payment in advance in the Financial Statements for the year under review is Rs. 379,304,519. It was observed that, over one year to twelve years long outstanding advance payments amounting to Rs. 67 million as at 31 December 2024. Therefore, the recoverability of those advances was doubtful. However, provision for impairment was not made for these advances in the financial statements as per LKAS 36 – Impairment of Assets.	The company is pursuing resolutions for legal disputes related to oxygen cylinders, advertising expenses for privatization, and annual subscriptions and prepayments. The Legal Department is pursuing resolution, and impairment will be considered based on the final legal outcome. The company is also engaging with authorities to determine recovery.	It is required to comply with the provisions of the standard.

1.5.2 Accounting Policies

Audit Issue	Management Comment	Recommendation
As per the Note No. 12 to the financial statements, the PPE policy of the company is to record all the fixed asset purchases initially in the Capital WIP account and subsequently capitalize those assets at every quarter-end to the respective fixed assets accounts. However, the capital WIP account includes Rs. 13,926,589 non-capitalized balances more than five years without capitalizing as at 31 December 2024.	The company has capitalized assets like storage tanks and vaporizer tanks in Q1 2025, including Rs. 17.6 million under Capital Work-in-Progress. ERP and Geotechnical investigation expenses will be charged to financial statements, and remaining balances are under review for accurate reporting.	The company shall review WIP account regularly to identify completed projects on time and capitalize the PPE in accordance with the applicable accounting standards.

1.6 Accounts Receivable and Payable

1.6.1 Receivables.

Audit Issue	Management Comment	Recommendation
Port and Airport Development Levy (PAL) receivable as at 31 December 2024 was Rs. 50.6 million. This amount comprises payments of Rs. 15.5 million, Rs. 31.4 million, Rs. 3.4 million, and Rs. 0.26 million for port and airport development levies at the time of LP gas importation in 2013, 2019, 2021, and 2022, respectively. These payments were made for shipments that were subsequently cancelled due to various reasons. The company has made an impairment provision of only Rs. 15.5 million	The company has a PAL receivable of Rs. 50.6 million as of 31 December 2024, which includes payments made on LPG shipments cancelled. The company is actively collaborating with Sri Lanka Customs to recover the remaining amounts, but no formal communication has been received from Customs to indicate non-recoverability, resulting in no impairment for the remaining PAL receivables.	It is required to comply with the provisions of the standard.

and has not yet recovered the remaining amounts. Further, no provision for impairment was made for other balances as per LKAS 36 – Impairment of Assets.

1.6.2 Advances

Audit Issue	Management Comment	Recommendation
This account contains advance payments to clearing companies in international trading clearance purposes. It was observed that above balance was long outstanding advance payments of Rs. 5.5 million since 2017. In a proper internal control system, advance payments should be settled within a reasonable time period and reconciled regularly. However, due to a lack of procedures of advance settlement proper monitoring and follow-up, this amount has remained unsettled as of 31 December 2024, leading to potential financial misstatements, possible losses.	The company faces an outstanding balance of Rs. 5.5 million due to delayed payments to freight forwarders and clearing agents for LPG cylinder imports. The Procurement and Finance departments are attempting to reconcile these balances before 2025.	Necessary action should be taken to recover outstanding balances.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Operational Manual for State owned Enterprises (SOEs) issued by Public Enterprises Circular No.01/2021 dated 16 November 2021.	As per the Section 6.7 of the manual, the company had not carried out annual assets verification on the fixed assets at a cost of Rs. 13,303,412,495 as at 31 December 2024.	We have given the assignment to Baker Tilly & Company to carry out the Physical Verification of Fixed Assets for the year ended 2024 in October 2024. Accordingly, they have completed the field work and at present they do the reconciliation. We are waiting for the final report and will submit the same to audit as soon as we receive the Fixed Asset Verification Report. Also, we conduct annual stock verifications at each stores of the company annual basis and it was already conducted for the year ended 31st December 2024 and informed the Government Auditors via e-mail.	The company should implement an annual asset verification to ensure Robust Asset Management System
(b) Annexure IV of the Guidelines on Corporate	Reviewing the financial statements is under the scope of	The observation is duly noted. The Company acknowledges the	The company should follow the SOE Guideline and Public

Governance for the State Owned Enterprises.	the Audit Committee (AC) prior to the approval of the board. However, it was observed that, the company had not submitted the financial statements to the AC for their review prior to approval of the board.	importance of submitting financial statements to the Audit Committee for review prior to Board approval. Accordingly, necessary measures will be taken to ensure that this process is properly followed from the financial year 2025 onwards, in compliance with good governance practices.	Enterprises Circulars.
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(c) Department of Public Enterprises Circular Nos: PED 01/2015 dated 25 May 2015, PED 1/2015(I) dated 27 October 2016 and PED 01/2015 dated 14 January 2022.	(i)An officer who holds a post approved by the Management Services Department and has been placed equal or above HM 1-1 category of any SOE will be entitled to draw a fuel allowance equivalent to 115 to 145 liters per month. In contrary to the preceding provision, 33 officers had used excess of 33,374 fuel litres worth of Rs. Rs. 12,789,432 for the year 2024 when compared to the above maximum	The 33 officers mentioned in your query are employees Job Grade 05 (JG 05) and above As per the company's car policy, all these employees are eligible for a fuel allowance to meet their transportation's needs, since the company does not provide the company maintained vehicles.	The company should follow the requirements of SOE Guideline and Public Enterprises Circulars.
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limit.

ii) The company has provided a monthly fuel allowance of 66,187 litres worth of Rs. 26,168,973 for 33 employees who are not eligible for a fuel allowance in the year under review.	All 33 listed staff members are eligible for fuel allowance under the Company Car Policy, with 28 directly involved in field-related duties. Sales and HSE directors personally oversee their usage, and monthly discussions are maintained. Fuel allowances and vehicle allocations are strictly based on the approved Company Car Policy, not the PED Circular. Driver allowances are paid to eligible employees without a company-paid driver. All expenses are budgeted annually and submitted for approval, with final shareholder approval granted for the annual financial accounts.	The company should follow the requirements of SOE Guideline and Public Enterprises Circulars.
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(d) Department of Public Enterprises Circular Nos: PED 01/2015 dated 25 May 2015 and PED 01/2015 (i) dated 27 October 2016.	An officer who is entitled to an official vehicle has the option either to use the official vehicle or to avail a monthly transport allowance of Rs. 50,000 and monthly fuel allowance
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applicable to the post. However, such officers shall not be provided with a driver or a driver allowance. Contrary to the provisions of the circulars,

(i)The Company had provided a monthly transport allowance ranging from Rs. 201,600 to Rs. 561,960 for thirty-seven employees. Accordingly, Rs. 93,462,240 had been overpaid in the year under review when compared to the allowable limit of Rs. 50,000 as per provisions of the circulars. Further, monthly driver allowance totalling to Rs. 2,400,000 had been paid for four employees in the year under review.	The company acknowledges the observation about fuel allowances, but explains that company maintained vehicles are not provided for any employee category. Vehicle allowance and fuel allocation are provided according to job group and duty with approval from the Board of Directors. Few employees receive company maintain vehicles with fuel allocation. The company's board decides allowance payments based on competitive market rates. Vehicle and driver allowances are approved at a meeting on January 16, 2024.	The company shall adhere to the applicable laws and regulations in this regard and obtain prior approval of the Ministry of Finance for any essential deviations required.
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(ii) The Company had provided a monthly Transport allowance totalling to Rs. 73,699,200 for 142 employees who are not eligible for Transport allowance in the year under review.	The company acknowledges the observation about fuel allowances, but explains that company maintained vehicles are not provided for any employee category. Vehicle allowance and fuel allocation are provided according to job group and duty with approval from the Board of Directors. Few employees receive company maintain vehicles with fuel allocation. The company's board decides allowance payments based on competitive market rates. Vehicle and driver allowances are approved at a meeting on January 16, 2024.	The company shall adhere to the applicable laws and regulations in this regard and obtain prior approval of the Ministry of Finance for any essential deviations required.
(iii) In addition to the fuel, transport, and driver allowances mentioned above, the Company granted interest-free vehicle loans totaling Rs. 43,880,400 to seven employees during the year 2024. Furthermore, only	The Car Policy, introduced in 2007 by Shell Gas Lanka Ltd. and Shell Gas Terminal Lanka (Pvt) Ltd., has undergone several revisions to align with operational and organizational needs. The most recent update was implemented on August 20, 2020, and further amendments	The company shall adhere to the applicable laws and regulations in this regard and obtain prior approval of the Ministry of Finance for any essential deviations required.

50 percent of the loan principal recoverable had been accounted interest free loan as of interest free loan from the respective employees, while the remaining 50 percent had been recognized as an expense to the Company.

were made on September 11, 2024, with the Board of Directors' approval. The subcommittee reviewed the original policy, proposing updates based on factors such as talent retention, outdated policy, competitive pressure, and lack of vehicle permit entitlement. The policy includes a one-time loan facility for eligible employees to purchase a company-assigned vehicle, with a 50% loan waiver. The policy retains the option to purchase the same vehicle at 50% of its market value after three years of use. The Board approved amendments to the Car Policy on September 11, 2024, and they became effective from January 2, 2025.

(e) Department of Public Enterprises Circular No. PED 03/2024 Dated 23 December 2024.	As per the paragraph 1.2(II) of the circular, the commercial corporations, statutory boards, and government-owned companies that	Amounts of the bonuses are decided with the Company Revenue and the financial performances and which is already included in the budget and has been	The company shall adhere to the applicable laws and regulations to maintain the uniformity within SOE's. If it is necessary, it is recommended to obtain prior approval from the Ministry of Finance for any
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earned profits during the financial year 2023 can propose a bonus of Rs 20,000 per employee. Contrary to the above provisions, the company had made a year-end profit bonus of Rs. 100,000 per employee in addition to the average performance bonus per employee of Rs. 333,230 paid in January 2024 without prior approval of the General Treasury. The total amount of Rs. 14,252,500 had been overpaid during the year under review as profit bonus.

communicated to the Department of public enterprise.

December Bonuses for all staff have been paid from the time Shell International was managing the Company it was paid gross of tax (tax born by the Company) to all staff equally. However, this year, the payment was made only to staff earnings less than Rs. 500,000/- and the payment was made where the staff member had to bear the PAYE Tax. Yearend bonus payments made with the approval of the Board of Directors on 24th December 2024.

deviations required.

- (f) Department of Public Enterprises Circular No. PED 2/2015 Dated 25 May 2015
- The cost of purchasing equipment and accessories required for obtaining residential telephones, private mobile phones, or internet facilities should be personally borne by the officers. The
- Mobile phones are provided to staff members for various duties, recommended by the functional head and HR department. Android or IOS devices are required for access. A cloud native application is expected in the future, allowing remote work during
- The company shall adhere to the applicable circular requirements and obtain prior approval of the Ministry of Finance for any deviations required.

expenses for such non-working hours. equipment should Litro Gas Lanka Ltd is not be reimbursed incorporated under the by the respective Companies Act No.07 enterprises. of 2006, and mobile However, contrary phone rebates from to the above Dialog Axiata PLC are circular, the used to reduce the company had paid telephone expenses. Rs. 3,470,286 for 48 officers to buy mobile phones in the year 2024.

- (g) Department of Public Enterprises Circular No. PED 1/2024 Dated 28 February 2024
- According to Circular No. 14.1, all expenditures related to ceremonial activities should be avoided. Contrary to this directive, the Company incurred an expenditure of Rs. 33.5 million for the Channel Scorecard Ceremony. The stated objective of participating in the Channel Awards Ceremony was to enhance the Company's market value. However, the Company's market share declined from 86.9% to 80% over the past two years. This raises concerns
- Litro market share was 83% in 2021 before the crisis. During 2022-2023, it occasionally exceeds this figure due to supply disruption from competitors – peaking at 86.9% in 2022 and settling at 81.8% in 2023. Currently, Litro maintains an average market share of around 80%. A change in market share derives from the market centric investment and expense such as innovations, service level enhancement, sales promotions, marketing efforts. Annual channel awards ceremony is an initiative that aims to standardize the channel performance. All
- The company should adhere to the circular requirement and obtain prior approval from the General Treasury for any deviations.

regarding the investments expenses effectiveness of the required to meet the marketing strategy Distributor Scorecard adopted and the KPIs are born entirely return on investment by distributors. As of for such a June these investments substantial outlay. for the year 2025 amount to Rs.560 million, with additional developments underway, as per the business growth strategy. Given the critical role played by the channel network ,the channel awarded ceremony is a necessary and strategic initiative that supports operational excellence and business sustainability.

1.8 Non -compliance with Tax Regulations

Audit Issue	Management Comment	Recommendation
Circular No. SEC/2023/E/01, dated 29 March 2023, and Circular No. SEC/2023/E/02, dated of 06 April 2023, of the Commissioner General of the Department of Inland Revenue. When calculating Advance Personnel Income Tax (APPIT), the company had not considered fuel allowances totalling Rs. 64.4	In response to the National Audit Office's previous observation's management has decided to implement APPIT deductions on full allowance effective from April 1,2025 for employees who are liable for such deductions. This will not apply to employees who utilize fuel strictly for duty-related	The company should adhere to the tax regulations.

million provided for 70 work. However only a fuel employees for the year under cost reimbursement is made. review and Rs. 59 million was provided for 71 employees in the year 2023.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a profit of Rs 2,248.42 million, and the corresponding profit in the preceding year amounted to Rs. 4,608.18 million. Therefore, a deterioration amounting to Rs. 2,359.76 million of the financial result was observed. The reason for the deterioration is a decrease in revenue from contracts of Rs. 2,181 million for the year under review.

2.2 Trend Analysis of major Income and Expenditure items

Analysis of major income and expenditure items of the year under review compared with the preceding two years (02) with the percentage of increase or decrease are as follows.

	Amount Rs.Million			Percentage of change		
For the year ended 31st December	2024	2023	2022	2024	2023	2022
Revenue from contracts with customer	88,756	90,937	79,982	-2%	14%	53%
Cost of sales	82,390	81,292	72,225	1%	14%	21%
Gross profit	6,365	9,644	7,757	-34%	24%	207%
Profit/(Loss) from operations	2,822	5,974	4,575	-53%	31	-146%
Finance income	1,452	1,735	820	-16%	112%	197
Finance expenses	936	1,138	4,274	-18%	-73%	643
Income tax expenses	1,089	1,963	217	-44%	804%	-107%
Profit for the year	2,248	4,608	904	-51%	409%	112%

2.3 Ratio Analysis

Key ratios compared with the preceding two (2) years are as follows.

	Ratios	2024	2023	2022
Profitability Ratios				
Gross Profit Ratio		7%	11%	10%
Net Profit Ratio(PBT)		3%	7%	1.40%
Net Profit Ratio(PAT)		3%	5%	1%
Return on Capital Employed (ROCE)		11%	23%	4%
Return on Equity		0.20%	0.44%	0.10%
Return on Asset(Times)		0.095	0.20	0.039
Liquidity Ratios				
Current ratio(Times)		4	3.15	4.20
Quick Ratio(Times)		3.27	2.23	2.93
Leverage Ratios				
Interest Coverage Ratio		2.57	4.77	-0.71
Efficiency Ratios				
Asset Turnover(Times)		2.5	2.7	2.78
Market Value Ratios				
Earnings per share		62.46	128.01	25.13
Book value per share		455.41	414.56	305.54

3. Operational Review

3.1 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
(a)Storage facilities for storing 8,000 metric tons and approximately 400 metric tons of storage remain in the Kerawalapitiya storage complex and Mabima storage complex	Referring to your below observations, I would like to make you aware that the Company has already initiated the process of capacity expansion.	Assessment of Storage facility requirement should be carried out by the management .After that management should develop continues supply of storage

respectively, belonging to Litro Gas Lanka Limited. Liquefied petroleum gas (LPG) purchased from the Ceylon Petroleum Corporation is stored at the Mabima complex, and the gas is released to the industrial sector. Due to the limited storage capacity of the company's existing storage facility, the company was unable to purchase a large quantity of gas at once, thus losing the opportunity to take advantage of cheaper prices from the world market.

(b)The company's CBM facility at Kerawalapitiya is only adequate to handle small-sized ships with a storage capacity of 3,500-5,000 metric tons. (The maximum capacity of a ship that can carry gas is about 4,000 metric tons). However, at present, very large ships of 20,000-100,000 metric tons are used in world gas transportation. Due to the limited buoy facility owned by the company, the company's ability to purchase gas in large scale at a lower price is limited. Since small ships suitable for this buoy facility are currently rarely used in gas transportation, Furthermore, due to the limited gas unloading facility, the Company has had to incur a large cost.

Currently, we are proceeding with the Consultant selection tender for feasibility study and in parallel, we have obtained the clearance from Sri Lanka Ports Authority for CBM related expansion requirement.

Referring to your below observations, I would like to make you aware that the Company has already initiated the process of capacity expansion. Currently, we are proceeding with the Consultant selection tender for feasibility study and in parallel, we have obtained the clearance from Sri Lanka Ports Authority for CBM related expansion requirement.

facilities and other infrastructure facilities available with the company to avoid matters.

Information regarding the storage capacity utilization for past period should be forwarded to the board of directors to get the necessary action for the purpose of enhancing the storage capacity.

3.2 Idle or underutilized Property, Plant and Equipment

Audit Issue	Management Comment	Recommendation
As per the Annexure I of the Guidelines on Corporate Governance for State Owned Enterprises issued by the PED Circular No.01/2021 dated 16 November 2021, all the unutilized or underutilized physical and human resources need to be taken in to the economic activities with proper systems and procedures to ensure the value for money under the strategic plan. However, the 509.1 perches land in Orugodawaththa valued at Rs. 992,745,000 had not been utilized for the intended purpose. It was remained unutilized since 2012.	The Company acquired 509.1 acres of land at Orugodawatta, valued at Rs. 992,745,000, from the Ceylon Petroleum Corporation in 2024. The land was cleared to prevent unauthorized use and is being considered for strategic initiatives, with plans to optimize its utilization.	Information of the land should be forwarded to the board of directors to get a proper decision.

3.3 Procurement Management

Audit Issue	Management Comment	Recommendation
In accordance with the instructions mentioned in guidelines 4.2.2 and 4.2.3 of the Government Procurement Guidelines 2006, procurement entity should prepare master procurement plan and detailed procurement plan for the expected procurement and also, procurement time schedule should be prepared, describing, in chronological order, the steps of each individual procurement action from the point of	Management Comment had not been provided.	The company shall prepare procurement time schedule by chronological order describing the steps of each procurement action.

commencement until its completion. However, the Company had not prepared said procurement plans and procurement time schedule for 66 procurement activities made during the year under review worth of Rs. 1,918 million.

3.4 Human Resources Management

Audit Issue	Management Comment	Recommendation
(a) As per the Section 3.1 and 3.2(i) of the Operational Manual for State owned Enterprises (SOEs) issued by Public Enterprises Circular No.01/2021 dated 16 November 2021 , the company had not obtained the approval of the General Treasury for their cadres, Scheme of Recruitments (SOR) and remuneration.	The operational Manual for State-Owned Enterprises granted exemptions allowing SOEs to decide on human resource management matters, including recruitment size and salary structures. The details were submitted to the Director General of Department of Management and board approval was granted for the Salary Revision on 16th January 2024.	The Company shall obtain the approval of the General Treasury for their cadres, SOR and their remuneration.
(b) According to paragraph IV of the Public Enterprises Circular No. 06/2022 dated 06 October 2022, the employees shall retire when they reach the age of 60 years. However, contrary to the provisions of the circular, eleven employees (11)	All staff of Litro retire at the point of reaching 60 years according to their original contract of employment and their permeant employee status are seized from that day and employee are allowed to continue the same appointment after 60	It should be complied with the circular requirements and information about the staff position should be forwarded to the board of directors to get proper decision.

who were beyond the age of 60 years were employed as of 31 December 2024. The Company incurred payments totaling Rs. 32,576,585 in 2023 and Rs. 40,580,612 in 2024 for these officers, covering basic salaries, transport allowances, bonuses, incentives, and other fringe benefits. Furthermore, several key positions, including Director of Procurement, Senior Manager, and Operations Manager, are held on a contract basis, without recruiting new officers to permanent staff. It was observed that this may create uncertainty regarding the Company's operational performance and long-term stability.

years. Thereafter considering the job requirement, the Company has offered a fresh fixed term contracts for a specific time period without offering the same terms enjoyed previously, to employees who the company required for continuity of operations. This decision has been supported by the letter issued by the Secretary to the Treasury dated 08/08/2022 and SOERU dated 20/03/2023 to curtail recruitment subsequent approval of the board has been obtained.

4. Accountability and Good Governance

4.1 Annual Report

Audit Issue	Management Comment	Recommendation
As per the Section 6.6 of the manual, the annual report of the company shall be tabled in the Parliament within five (5) months after the close of the financial year and draft annual report	Annual report for the year ended 2023 of the company was distributed to SLIC and Ministry of finance. Annual report for the year ended 2024 will submit to the Parliament.	The company should follow the SOE Guideline and Public Enterprises Circulars.

should be handed over to the Auditor General within sixty (60) days after the close of the financial year. However, the Company had not tabled annual report for the year 2023 to the parliament.

Draft Accounts for the period ending year 2024 has been submitted to the government auditors' on 11th April 2025.

4.2 Audit Committee

Audit Issue	Management Comment	Recommendation
(a) As per the section 4.2 of the Operational Manual for State owned Enterprises (SOEs) issued by Public Enterprises Circular No.01/2021 dated 16 November 2021 , the Audit Committee should meet at least once in three months and report its recommendations to the board soon thereafter, along with the minutes of the meeting to facilitate taking corrective measures. However, only two audit committee meeting was held for the year 2024.	The observation is acknowledged. The Company has taken note of the requirement under Section 4.2 of the manual. Accordingly, a plan has been put in place to ensure that a minimum of four Audit Committee meetings will be held during the year 2025 for both companies, in compliance with the prescribed frequency.	The company should follow the SOE Guideline and Public Enterprises Circulars.
(b) As per the Section 4.2(i) of the Operational Manual for State owned Enterprises (SOEs) issued by Public Enterprises Circular No.01/2021 dated 16 November 2021 , the audit committee must be guided by an audit committee charter. In	The Company acknowledges the observation. The Audit Committee Charter is currently being drafted and will be finalized shortly. Upon completion, it will be submitted for the approval of the Board to ensure alignment with the requirements of	The company should follow the SOE Guideline and Public Enterprises Circulars.

the absence of an audit committee charter, the model charter available in Annexure IV may be adopted with the approval of the board. However, it was observed that neither audit committee charter had been developed, nor the model charter was adopted with the Board's approval. As a result, the roles and responsibilities of the Internal Audit function were unclear, potentially leading to a lack of authority and independence. Ultimately, this may result in a weak internal control system.

Section 4.2(i) of the manual and to strengthen the governance framework and internal control environment.