

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 2024 comprising the statement of financial position as at 31 December 2024 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 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 considered would be report to Parliament appear in this report. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

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.

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 Auditor’s Responsibilities 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 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 law

1.5 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 Tenancy Agreement entered into with Bank of Ceylon in the land registry within the stipulated time.	We will liaise with the Bank of Ceylon and arrange registration of the Tenancy Agreement with the relevant Authority accordingly	Action should be taken to comply with relevant rule.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a profit of Rs.652 million and the corresponding profit in the preceding year amounted to Rs.914 million. Therefore deterioration amounting to Rs.262 million or 29 percent of the financial result was observed. The reason for the deterioration is, the significant decrease of finance income compare to the previous year due to decrease of interest income on fixed deposits and interest income on repurchase agreement.

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	6,844,369	0.7	This is mainly due to improved fee income received for the internal maintenance & procurement services.
Other Operating Income	32,656,281	225	Mainly due to sale proceeds received from disposal of 11 kv power cables which has been removed from BOC Head Office building.
Employee Benefits Expenses	24,634,358	13.6	This was mainly due to salary revision granted to all employees.
Finance Income	(418,123,669)	(49.8)	Finance Income was significantly decreased due to decline in fixed deposit income and interest income on call deposits.

3. Operational Review

3.1 Delays in Projects or Capital Work

Although the Company had planned to undertake certain capital and maintenance works during the year 2024 and made the necessary budgetary provisions accordingly, it was unable to complete these works as scheduled. The details of the planned works, along with the percentage of completion are given below.

Audit Observation		Remarks	Management Comments	Recommendation
Description	Budgeted provision (Rs.000)			
(i) Replacement /Retrofitting of low voltage switchgear panels in basement 2 and on floor 17 (Continued from 2023)	40,000	Physical progress of the project has been 55 percent as at 31 December 2024.	The contractor has imported the required Air circuit Breakers from France twice, but the imported air Circuit Breakers could not be installed at the law	Action should be taken to complete the job without delay.

voltage Switchgear panels due to mismatch of the imported Circuit Breakers with the existing bus bar connections of the switchgear panels.

(ii)	Replacement of 50,000 Privet Automatic Branch Exchanged (PABX) System at Floor 3	Not completed	We have made this budgetary provision on behalf of Bank of Ceylon. However, the Bank has not yet granted approval for us to proceed with the replacement work.	Action should be taken to prepare the budget with updated information.
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3.2 Human Resources Management

The following observations are made.

Audit observation	Comments of the chief Accounting officer/Accounting officer	Recommendation
It was observed that, the position of Deputy Maintenance Manager and two engineering positions remained vacant as at 31 December 2024.	Action has already been initiated to recruit a Deputy Maintenance manager and Engineering Assistant	Action should be taken to fill the required positions in order to ensure the smooth function of the Company.