

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Lanka Leyland (Private) Limited for the year ended 31 March 2025 comprising the statement of financial position as at 31 March 2025 and the statement of financial performance, 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 reported to Parliament appear in this report.

The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2025, 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 determines 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 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 Institute.

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 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 Company'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 Institute has performed according to its powers, functions and duties; and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Non-Compliance with Laws, Rules, Regulations and Management Decisions

	Reference to Laws, Rules and Regulations	Non-Compliance Rs.	Comments of the Management	Recommendation
(a)	Section 16(2) of the National Audit Act, No. 19 of 2018	Even though the annual performance report should have been submitted to the Auditor General along with the financial statements, the company had not acted accordingly.	I accept the audit opinion	Arrangements should be made to submit annual performance reports along with financial statements.
(b)	Public Enterprises Manual No. 01/2021 dated 16 November 2021			
	(i) 2.3 Guideline	Even though the company's corporate plan, action plan and annual budget should be submitted to the Director General of the Department of Public Enterprises or the Director General of the Department of National Budget, the company's corporate plan, action plan and annual budget for the year under review had not been submitted in accordance with the said rules.	I accept the audit opinion	Relevant reports should be submitted as per the guidelines.
	(ii) 6.6 Guideline	<ul style="list-style-type: none"> • Even though the draft financial statements should be submitted to the Auditor General along with the annual report within 60 days of the end of the financial 	I admit the audit opinion	The financial statement and draft annual report should be submitted as per the circular.

year, the company's financial statements had been submitted to the Auditor General on 03 November 2025 after a delay of 155 days. Further, the draft annual report had not been submitted with the financial statements.

- Even though the annual report should be tabled in Parliament within 05 months of the end of the financial year, action had not been taken to table the company's annual reports in Parliament since 2017.

I admit the audit opinion

Arrangements should be made to table the annual reports in Parliament in accordance with the circular.

1.6 Cash Management

Audit Observation	Comments of the Management	Recommendation
(a) A cheque worth of Rs.2,427,386 had been issued on 09 March 2024 for the payment of income tax for the year 2022/2023 without paying attention to whether there was sufficient balance in the bank account. The company subsequently issued a stop payment order for the relevant cheques and proceeded to pay this amount again on 27 March 2024, a fine of Rs.242,739 had to be paid due to the delay in income tax payments.	I admit the audit opinion	Payments should be made on the due date in accordance with the Inland Revenue Act No. 24 of 2017.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a profit of Rs. 645,885,480 and the corresponding profit in the preceding year amounted to Rs. 353,381,043. Therefore an improvement amounting to Rs.292,504,437 of the financial result was observed. The main reason for the improvement is the increase in the share prices.

2.2 Trend analysis of major Revenue and Expenditure Objects

During the year 2025, the increase in the fair value of investment in associates compared to the preceding year was Rs.268 million and the value of a share of the company, which was Rs.1,021 in the preceding year, had increased to Rs.1,431 as at the last day of the year under review.

2.3 Ratio Analysis

It was observed that the current ratio in the year under review was 50 percent, compared to 20 percent in the preceding year, as a result there had been an increase of 150 percent in the current ratio compared to the preceding year.