

## **Transactions of the Sri Lanka Rubber Manufacturing and Export Corporation Limited For the period of two years from 01 April 2023 to 31 March 2025**

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The audit of operating activities of the Sri Lanka Rubber Manufacturing and Export Corporation (Company) for the period of last two years then ended 31 March 2025 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 as per provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka appear in this report.

### **1.2 Responsibilities of Management and Those Charged with Governance for the Submission of the Financial Statements**

As per Sub-section 16(1) of the National Audit Act No.19 of 2018, each audited entity 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 on that entity. In terms of Sub-section 16(2) of the said Act, the Chief Accounting Officer is required to submit the annual financial statements to the Auditor General along with the draft annual reports, within such period as may be provided by rules. In pursuance of Sub-section 38(1) (d) of the Act, the Chief Accounting Officer shall ensure the timely preparation and submission of annual and other financial statements and in addition the Chief Accounting Officer shall be required to submit annual reports to Parliament pertaining to the audited entity.

## **2. Report on Other Legal and Regulatory Requirements**

The following requirements regarding the special provisions of the National Audit Act, No.19 of 2018 and the Companies Act, No.7 of 2007 are included.

- According to the section 150(1) of the Companies Act, No.07 of 2007, the Board of Directors of the company shall ensure that these responsible for the preparation of the financial statements certify the financial statements within six months from the date of the balance sheet.

### **2.1 Introduction on Institute**

The Corporation had been established on 10 October 1973 under the State Industrial Corporation Act No.49 of 1957 and it had been incorporated as a corporation under the Companies Ordinance as “Sri Lanka (Ceylon) Rubber Manufacturing Company Limited” on 01 July 1982. Subsequently, it had been incorporated as “Sri Lanka Rubber Manufacturing and Export Corporation Limited” under the Companies Act No.17 of 1982 on 06 March 1995 and it had been incorporated again on 27 October 2009 under new Companies Act No.07 of 2007. Only 04 factories out of 06 belonging to the Corporation had been leased. It had been determined to liquidate the company as per the Cabinet Decision No.CP/ 25/1570/804/185 dated 03 September 2025.

## 2.2 Existence of Assets and Liabilities

The audit activities of Corporation after 2016 had been assigned to the National Audit Office, no any financial statement had been submitted to the national audit up to now. The details on assets, liabilities, income and expenditure mentioned in the financial statements as at 31 March 2011 of the company audited by a private audit firm for the last time is as follows.

<b>Item</b>	<b>Amount</b>
	<b>Rs.</b>
Non-Current Assets	91,269,967
Current Assets	832,852,873
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Total Assets	924,122,840
	=====
Current Liabilities	45,828,678
Non-Current Liabilities	929,570,102
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Total Liabilities	975,398,780
Net Assets / Ownership	(51,275,940)
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Total Equity and Liabilities	924,122,840
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Total Income	75,166,023
Total Expenditure	77,894,846
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Deficit	(2,728,823)
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## 2.3 Presentation of the Financial Statements

Even though the financial statements and draft Annual Reports should be presented to the Auditor General within 60 days from the end of the accounting year as per the Public Enterprises Circular No. PED 01/2021 dated 16 November 2021 of the Secretary to Treasury and the section 6.6 of the Operational Manual issued in compliance with that, the financial statements and draft Annual Reports in relation to 09 years from 01 April 2016 to 31 March 2025 had not been submitted to the Auditor General even up to the date of this report. Furthermore, the Annual Reports and the Accounting Statements since 2009 up to date had not been presented to the Registrar General of Companies as per the terms of the new Companies Act, No.07 of 2007.

**3. Financial and Operational Review**  
**3.1 Financial Activities**

Audit observation	Comments of the Management	Recommendation
(a) A competent authority had been appointed to liquidate the corporation within 06 months as per the Cabinet Decision dated 23 January 2023. Although the date had been extended from 01 June 2023 to 31 October 2023 the liquidation activities of corporation had not been completed so far and no step had been taken to extend the time period of the competent authority or appoint a new competent authority.	The liquidation activities are due to be carried out in accordance with the Cabinet Decision No.CP/25/1570/804/185 dated 03.09.2025 for the Cabinet Memorandum No.MF/PE/016/CM/2025/203 dated 24.08.2025 under captioned “Appointment of liquidators for close of the public enterprises which are not in the operational level” by Ministry of Finance, Planning and Economic Development. Mr.N.G. Panditharatne, former Additional Secretary of Ministry of Industries had assumed the duties in Ministry of Industries through the letter of assumption duties on 01.11.2023 and the allowances related to the liquidator had not been paid and it was observed that there is no any written information available relevant to that person except a request letter.	The measures should be immediately taken as per the referred Cabinet Decision.
(b) Even though the approval of the Cabinet of Ministers had been granted in 2019 to settle the loan amount and interest of Rs. 1379.54 million provided by the Treasury lease Elpitiya Foam Rubber Factory to a suitable investor and sell its machineries, it had not been fulfilled up to the end of the year under review. The building of this factory and 03 official residences had dilapidated and it was observed that a large quantity of equipment in the building had been stolen.	The liquidation activities are due to be carried out in accordance with the Cabinet Decision No.CP/25/1570/804/185 dated 03.09.2025 for the Cabinet Memorandum No.MF/PE/016/CM/2025/203 dated 24.08.2025 under captioned “Appointment of liquidators for close of the public enterprises which are not in the operational level” by Ministry of Finance, Planning and Economic Development. It had been scheduled to auction the machines and equipment in Elpitiya Foam Rubber Factory and provide the money	The step should be promptly taken to settle the liabilities as per the referred Cabinet Decision.

received from that to the Treasury as per the decision taken at that occasion.

### 3.2 Operating Activities

	Audit Observation	Comments of the Management	Recommendation
(a)	<p><b>(i) Mawanella Kendra Apasari Factory</b></p> <p>The lease rental had not been paid by the lessee since July 2018 due to non-renovation of the roof of the main building collapsed in Mawanella Kendra apasari factory and the lease rental increased in that year had not been paid within the lease rental paid up to June 2018. The total lease rental recoverable within more than 07 years is Rs. 44,869,590 and the renovation activities of the roof of main building had not been carried out.</p>	<p>The answers had not been provided.</p>	<p>The action should be taken to recover the due lease rental after completing the renovation activities of the factory.</p>
	<p><b>(ii) 02 factories such as Mawanella Tyre Tube and Baduraliya Crepe Rubber</b></p> <p>Even though the lease rental to be increased since 14 March 2021 as per the condition 05 of lease agreement had been charged, an amount of Rs.3,908,016 or increased lease rental from 13 March 2017 to 13 March 2021 had not been charged. Similarly, the details on the lease rental charged from these two factories from April 2020 to March 2025 had not been submitted to the audit.</p>	<p>The answers had not been provided.</p>	<p>The action should be taken to recover the lease rental as per the lease agreements and the information required for the audit should be properly provided.</p>
	<p><b>(iii)</b> The above 03 factories had been leased to a private company in 2014 by State Resources Management Corporation and though said corporation is not functioning presently, no action had been taken to update the lease agreements. Currently, the lease rentals of the factories are collected by the Department of Public Enterprises.</p>	<p>The answers had not been provided.</p>	<p>The action should be taken to recover the lease rental as per the lease agreements and the information required for the audit should be properly provided.</p>

**(b) Waharaka Crepe Rubber Factory**

Though this factory had been provided to a private company on lease basis for a period of 15 years from 01 February 2011 to 31 January 2026, the factory had been left by this company in 2021. The details whether the action had been taken to recover the lease rental to be further recovered and late fee as per the condition 09 of the agreement from said private company had not been submitted to the audit. Moreover, though above-mentioned factory had been leased to another private company again at a monthly rental of Rs.85, 000 from 01 August 2021 to 31 January 2026 the original copy of the lease agreement entered with that company had not been forwarded to the audit.

The answers had not been provided.

The step should be taken to recover due lease rental and late fees as per the lease agreements and the original copies of lease agreements should be submitted to the audit.

**(c) Dodangoda Molded Factory**

Even though it had been mentioned that the land in which the factory is located had been taken over by the owner through a testamentary case, the relevant evidences had not been presented to the audit and it couldn't be disclosed the measures taken in respect of the assets existed in this factory in the audit also.

It is difficult to find the documents or information in relation to taking over Dodangoda Molded Factory by the owner of the land in which the factory is located by way of a testamentary case and it had been informed to Mr.S.W.Gamage who had acted in the post of competent authority at that time to submit a report.

The copies of judgements and documentary evidences in relation to this take over should be submitted to the audit.