

Selendiva Investments Limited and its subsidiaries - 2022

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Selendiva Investments Limited (“Company”) and the consolidate financial statements of the company and its subsidiaries (“Group”) for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 2022, 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 Emphasis of matter

I draw attention to Note 16 to the financial statements. As per the note, through the letter of Director General of Department of Public Enterprises on 09 February 2023 it was informed that due to the stabilisation of new Holding Company for the restructuring of State owned Enterprises, Minister of Finance, Economic Stabilization and National Policies has granted approval for voluntary winding up of Selendva Investment Limited with the advice of Attorney General. Accordingly, the company has sought the consent of the Attorney General to proceed with the Voluntary winding up in view of the pending litigation (FR/182/2021)

Further, as per the financial statements, loss for the year under review was Rs. 7,036,430 and the cumulative loss as at 31 March 2022 was Rs. 16,537,851 and as at 31 December 2022, serious loss of capital amounting to 83 percent was observed.

Therefore, Going Concern of the Company and the Group are uncertain.

My opinion is not modified in respect of this matter.

1.4 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 Group's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company and the Group 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.

1.5 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 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.

1.6 Audit Observations on the preparation of Financial Statements

1.6.1. Internal Control over the preparation of financial statements

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that, transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards, and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a loss of Rs 8,537,647 and the corresponding loss in the preceding year amounted to Rs.7,689,511. Therefore an deterioration amounting to Rs.848,136 of the financial result was observed. The main reason for the deterioration was the increase in administrative expenses.

3. Operational Review

3.1 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
Operating activities of the company to achieve its objective of optimizing capital structures of portfolio of assets by exploring and facilitating new investments through in various capital	With the incorporation of Selendiva Leisure Investments Ltd on 20 th June 2021, it was decided to consolidate the following institutions under	Maximum effort should be taken to minimize the loss of the company.

raising methods through capital markets had not been implemented during the year under review due to a fundamental right petition has been instituted by a citizen in 2021 claiming that his fundamental right guaranteed under the constitution has been violated through the activities of the company.

Selendiva Leisure Investments Ltd:

- i) Hilton Colombo
- ii) Grant Hyatt
- iii) Grant Oriental Hotel

However this could not be achieved due to filing of the Fundamental Rights application.

As per the financial statements, loss for the year under review was Rs. 7,036,430 and the cumulative loss as at 31 March 2022 was Rs.16,537,851 and as at 31 December 2022, serious loss of capital amounting to 83 percent was observed.

The letter of Director General of Department of Public Enterprises on 09 February 2023 it was informed that due to the stabilisation of new Holding Company for the restructuring of State owned Enterprises, Minister of Finance, Economic Stabilization and National Policies has granted approval for voluntary winding up of Selendiva Investment Limited with the advice of Attorney General.

(B) information of transaction with related parties amounting to Rs.3.65 million. made with the Hotel Developer (Lanka) Ltd and Selendiva Leisure Investment Ltd. had not been disclosed in the financial statements.

Understood and will be disclosed in future Details of related parties should be disclosed