

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Sri Lanka Insurance Investment Holdings Limited (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 flows 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, 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.

Emphasis of Matter

I draw attention to Note 2.8 of the financial statement which describe, the Board of Directors of the company decided to wind up Sri Lanka Investment Holdings Limited and Sri Lanka Insurance Corporation General Limited fully owned subsidiary of Sri Lanka Investment Holdings Limited at the Board Meeting held on 28 May 2020. Whereas the Board of Directors have subsequently decided to revamp Sri Lanka Insurance General Limited for the purpose of segregation at the Board Meeting held on 10 May 2023, the decision for liquidating Sri Lanka Investment Holdings Limited will persist to realize the assets and settle the liabilities, in terms of Section 394 of the Companies Act No. 07 of 2007.

Further to the Board meeting held on 23rd April 2025 Board also held that once the Register of Companies regularizes Sri Lanka Investments Holdings Limited, a decision can be made regarding whether the company should be wound up or reactivated in consultation and on the instruction of the Secretary to the Treasury.

The financial statements of Sri Lanka Investment Holdings Limited have been prepared based on the liquidation basis as decided by the Board of Directors of the company. My opinion is not modified in respect of this matter.

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 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 laws

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a loss of Rs. 87,970 and the corresponding loss in the preceding year amounted to Rs. 69,969. Therefore, a deterioration amounting to Rs. 18,001 of the financial result was observed. The reasons for the deterioration was the increase of administrative expenses by Rs 87,970.

3. Operational Review

3.1 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
<p>a. Even though following mandated objectives are mentioned in the Articles of Association no operations have been conducted by the Company to achieve such objectives during the year under review.</p> <ul style="list-style-type: none"> • To carry on the business of an investment and holding company, 	<p>Financial decision has not yet been reached regarding the winding up of Sri Lanka Investments Holdings limited. Although the Financial statements have been prepared on a liquidation basis in</p>	<p>Based on the current status of Sri Lanka Investment Holdings Limited (SLIHL), it is recommended that the Board formally pursue the required approval from the Cabinet of Ministers in</p>

including promoting new ventures and investing in securities.

- To employ company funds for the development and expansion of its own business, subsidiaries, and associates.
- To acquire, lease, manage, sell, or dispose of properties, assets, rights, and businesses necessary for company purposes.
- To finance, reorganize, or amalgamate with other companies and provide financial or management assistance.
- To underwrite, issue, or deal in shares, debentures, loans, or securities of any kind.
- To provide advisory, consultancy, brokerage, and agency services.
- To borrow, lend, mortgage, or secure funds and issue negotiable instruments.
- To enter into partnerships, joint ventures, or profit-sharing arrangements with other businesses.
- To grant pensions, gratuities, and welfare benefits to employees and support charitable causes.
- To enter into agreements with governments or authorities and obtain concessions or rights.
- To promote and advertise the company's business and build market presence.
- To carry out all other incidental or ancillary activities necessary to achieve the above objectives.

On 10 May 2023, the Board of Directors has decided to revamp Sri Lanka Insurance Corporation General Limited for the purpose of segregation, while the liquidation of Sri Lanka Investment Holdings Limited was to continue in terms of Section 394 of the Companies Act, No. 07 of 2007.

Further, it was noted that The Board has decided once the Registrar of Companies regularizes Sri Lanka Investment Holdings

accordance with the Board decision taken on 28th May 2020, this position remains under review.

accordance with Section 6.10 of the Operational Manual for State-Owned Enterprises before continuing with the liquidation process.

Limited, a decision could be made, in consultation with and on the instructions of the Secretary to the Treasury, as to whether the company should be finally wound up or reactivated.

In terms of Section 6.10 of the Operational Manual for State-Owned Enterprises, the liquidation of an SOE can only be initiated with the approval of the Cabinet of Ministers. It was observed that, although the Board has prepared the financial statements on a liquidation basis, the actions required for obtaining approval of the Cabinet of Ministers has not yet been finalized.