

## **Canwill Holdings (Private) Limited - 2016**

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The audit of the financial statements of the Canwill Holdings ( Private ) Limited (“The Company”) and the consolidated financial statements of the Company and its Subsidiaries (“Group”) for the year ended 31 December 2016 comprising the statements of financial position as at 31 December 2016 and the statements of profit or loss and other comprehensive income, statements of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory 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. This report is issued in terms of Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

### **1.2 Board’s Responsibility for the Financial Statements**

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The Board of Directors (“Board”) is responsible for the preparation of these financial statements that give a true and fair view in accordance with the Sri Lanka Accounting Standards and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### **1.3 Auditor’s Responsibility**

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My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company’s preparation and fair presentation of the financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **2. Financial Statements**

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### **2.1 Opinion**

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In my opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### **2.2 Report on Other Legal and Regulatory Requirements**

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As required by Section 163 (2) of the Companies Act No. 07 of 2007, I state the followings:

- a. The basis of opinion and scope and limitations of the audit are as stated above.
- b. In my opinion:
  - I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company.
  - The financial statements of the Company give a true and fair view of its financial position as at 31 December 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
  - The financial statements of the Company and the Group comply with the requirement of Section 151 of the Companies Act No. 07 of 2007.

### **2.3 Comments on Financial Statements**

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#### **2.3.1 Inventory Control**

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The following observations are made;

- (a) There is no regular inventory verification system in the company.
- (b) The management does not have up to date information on inventories in hand and if any discrepancies exit this will not be known until the year end.
- (c) The company had not been conducted a comprehensive impairment test for the slow-moving construction material stock.

### 3. Financial Review

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#### 3.1 Financial Result

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According to the consolidated financial statements presented, the operations of the Company and the Group for the year ended 31 December 2016 had resulted in a pre-tax net profit of Rs.85,879,218 and Rs.214,113,763 and respectively as compared with the corresponding pre-tax net profit of Rs.766,910 and Rs.173,803,716 of the Company and the Group respectively for the preceding year, thus indicating the improvement in the financial results of the Company and the Group by Rs.85,112,308 and Rs.40,310,047 respectively.

#### 3.2 Analytical Financial Review

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##### 3.2.1 Summary of the Financial Results

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The following table gives a summary of the financial results for the year under review and the preceding year.

	Year ended 31 December			
	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
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Other income	150,837,363	1,755,453	80,000,000	-
Administrative expenses	(141,351,666)	(97,339,174)	(8,242,318)	(9,494,182)
Impairment of property, plant and equipment	-	(111,373,340)	-	-
Financial income	204,628,067	299,152,468	14,121,535	10,261,092
Change in fair value of financial asset classified as FVTPL	-	81,608,309	-	-
<b>Profit before taxation</b>	<b>214,113,764</b>	<b>173,803,716</b>	<b>85,879,217</b>	<b>766,910</b>
Income tax expense	(53,877,612)	(50,393,907)	(22,481,218)	(1,847,562)
<b>Profit/(loss) for the year</b>	<b>160,236,152</b>	<b>123,409,809</b>	<b>63,397,999</b>	<b>(1,080,652)</b>

#### 4. Operational Review

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##### 4.1 Management Inefficiencies

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4.1.1 Motor Vehicle bearing registration number WP PV 2565, a Land Rover Defender Jeep owned by Sino Lanka Hotels & Spa (Private) Limited and WP KY 5208, a Land Rover Defender Jeep owned by Helanco Hotel & Spa (Private) Limited have been in the possession of the Ministry of Finance. The Company initiated a lease agreement relating to these vehicles however, the Ministry of Finance is yet to acknowledge this agreement. It should be noted that the initial period identified in the agreement has lapsed as well.

4.1.2 Canwill Group (Canwill Holding (Pvt) Ltd and Sino Lanka Hotels and Spa (Pvt) Ltd) are located in the same building occupied by Litro Gas Lanka Limited. However, without a formal rent agreement with Litro Gas Lanka Ltd. for the year 2016, the Litro Gas Lanka Ltd has charged the following expenses from Canwill Holding. Details are given below.

Type of Expenses	Amount
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	Rs.
Rent	2,960,302
Electricity	1,533,064
Security	592,034
Rates	249,462
Water	44,461
<b>Total</b>	<b>5,379,323</b>

##### 4.2 Unauthorized Transactions

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Without the approval of the Board of Directors, in year 2016 the Sino Lanka Hotels and Spa (Pvt) Ltd had carried out Rs. 11,240,711 worth of extra works and deviated from the conditions which were in the initial contracts agreements with the contractors.