

## **Selendiva Investments Limited for the Seven months ended on 31 July 2023**

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### **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 seven months ended on 31 July 2023 comprising the statement of financial position as at 31 July 2023 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the seven months 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 July 2023, and of its financial performance and its cash flows for the seven months 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 – Going Concern**

I draw your attention to the note No.11 of the Financial Statements revealing that the approval of Minister of Finance, Economic stabilization and national policies has been granted for voluntary winding up of Selendva Investment Limited and its Subsidiary Selendiva Leisure Investment Ltd. due to Ministry of Finance has established a new holding Company for the restructuring of State-owned Enterprises. Accordingly, the company has sought the consent of the Attorney General to proceed with the voluntary winding up in view of the litigation and Attorney General has informed to obtain cabinet approval and proceed to winding up in accordance with the companies Act No 07 of 2007. Cabinet approval for winding the company was granted on 5 July 2023. Meanwhile on 4 th October 2023 the court has dismissed the fundamental right application following representation made to court that the company is proceeding with the voluntary winding up process.

Further as per the note No. 4.1 (d) to the financial statement has revealed that the directors have made an assessment of the company's ability to as a going concern and are of the opinion the company's finances has reached a position of serious loss of capital with the net assets reflecting less than 50 per cent of the stated capital of the company and board of directors have decided to seek a voluntary winding up. Therefore, Going Concern of the company has no more. 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 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 seven months period under review showed a loss of Rs 1,885,002 and the corresponding loss in the preceding year was Rs.7,036,430. The main reason for the improvement of the financial result was the decrease in administrative expenses.

### 3. Operational Review

#### 3.1 Operational Inefficiencies

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a) The Company was incorporated in 2021 but no any business activity had been commenced up to the end of 31 July 2023 due to a fundamental rights petition instituted by a citizen in 2021 against inter alia Selendiva Investment Ltd, Selendiva Leisure Investment Ltd. However, accumulated loss of Rs. 19,802,426 had been shown in the financial position statement as at 31 July 2023.	Due to filing of the Fundamental rights application. The interim injunction against the Company has been dismissed and action has been taken by Hotel Developers to vacate the interim injunction against the Company Secretaries which would clear the way for the transfer of shares.	Maximum effort should be taken to minimize the loss of the Company.
(b) The company had not made any provision for liquidation expenses in the financial statements and a liquidator had not been appointed even up to the date of audit of 19 December 2023.	The company is proceeding with the voluntary winding up process.	The company should be appointed a liquidator.