

1. Financial Statements

1.1 Opinion

The audit of the financial statements of Canwill Holdings (Private) Limited (“Company”) and the consolidated financial statements of the Company and its subsidiaries (“Group”) for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of Profit or loss and other comprehensive income, statement of changes in equity and cash flow statement 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 of the Company and Group give a true and fair view of the financial position of the Company and Group as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Emphasis of matter

Without qualifying my opinion, I draw attention to Note 2.5 to the Financial Statements on going concern basis in the preparation of the financial statements. As stated in the above note, the Company’s management has made an assessment on the Company and its subsidiaries’ ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

However, the Board of Directors of Helanco Hotels & Spa (Pvt) Ltd has resolved to discontinue the project to construct the Hotel in Hambanthota in the year 2015. As a consequence, the hotel construction activities of the project have come to an end. The Company has not resolved to liquidate the Company in the foreseeable future. Therefore, the Financial Statements of the Company continue to be prepared on the Going Concern basis.

Furthermore, the management of Sinolanka Hotels & Spa (Pvt) Ltd has made an assessment on the Company’s ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern. In addition, the cabinet Ministers had granted their approval by cabinet paper 20/1042/204/050 – I dated 10 July 2020, to recommence the construction activities. However, the Board of Directors of the Company resolved to proceed with scaling down the Grand Hyatt Colombo Project for period of 09 months effective from 30th May 2022 and Construction activities had not recommenced even to the reporting date.

Furthermore, The Cabinet of Ministers, at their meeting held on 13 March 2023, has granted approval for the Cabinet Memorandum No: MF/018/2023/055, to start the process of Divestiture of the Canwill

Holdings among the other SOEs. The said divestiture program has been initiated and the process of Expression of Interest (EOI) has already been completed.

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 qualified opinion.

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 Group'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 Group 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 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 Group.

1.4 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 internal control of the Company and the Group.
- 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 Group 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.

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Going Concern of the Organization

Audit Issue	Management Comment	Recommendation
The Board of Directors of Helanco Hotels & Spa (Pvt) Ltd (Subsidiary) have resolved to discontinue the project to construct the Hotel in Hambanthota in the year 2015. As a consequence, the hotel construction activities of the project have come to an end. Further, the Ministry of Public Enterprise Development has	Currently, this Company has also proposed divesture among the other companies on a priority basis through the program initiated by the State-Owned Enterprises Restructuring unit.	Decisions of Cabinet of Ministers should be implemented.

given their instructions to transfer the Company's stake in portion of shareholding in Canwill Holdings (Pvt) Ltd (Parent Company), in accordance with the Cabinet Decision No.17/1613/733/029 dated 01 August 2017. Further, as per the Cabinet Decision No.23/0431/604/046 dated 14 March 2023, the Cabinet of Minister has granted approval to transfer the shares held by Sri Lanka Insurance Corporation Ltd and Litro Gas Lanka Limited in Canwill Holdings (Pvt) Ltd to the General Treasury with immediate effect. This program has not been completed as of reporting date.

The management of Sinolanka Hotels & Spa (Pvt) Ltd (Subsidiary) has made an assessment on the Company's ability to continue as a going concern and is satisfied that it has resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Although the Cabinet of Ministers had approved through No.20/1092/204/050-1 dated 08 July 2020 to recommence the construction activities of the Grand Hyatt Colombo project, the Board of Directors of the Company has resolved to proceed with scaling down the Grand Hyatt Colombo project for the period of 09 months effective from 30 May 2022 and construction activities had not recommenced even at the reporting date.

Since the management of the -Do - Company follows the directives issued by the Company follows the directives issued by the government of Sri Lanka, currently working on the proposed divestiture program initiated by the State-Owned Enterprises Restructuring Unit.

1.6. Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
Section 52 (3) of the Companies Act, No.07 of 2007	Without receiving consideration, the 235,294,117 shares at Rs.8.50 per share had been issued and issuance of share had been filed with Registrar of Companies. However, the Financial statements had not been adjusted accordingly. Hence a difference of Rs.2 billion	The Company is in the process of initiating a share buyback procedure to cancel this share issue update records of Canwill Holdings (Pvt) Ltd's stated capital at the Registrar of Companies.	Action should be taken in accordance with sections of Companies act.

was observed among the amount shown as share capital in the Financial Statements and records available at the Registrar of Companies.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a Profit of Rs.3,814,462 and the corresponding loss in the preceding year amounted to Rs.4,299,299. Therefore, an improvement amounting to Rs.8,113,761 of the financial result was observed. The reason for the improvement is foreign currency translation gain of Sinolanka Hotel & Spa (Pvt) Ltd.

2.2 Trend Analysis of major Income and Expenditure items

The analysis of Income, Administration expenses and net profit /(loss) with variances and the percentage of increase or decrease for the last five years are as follows.

Year	2023 (Rs.)	2022 (Rs.)	2021 (Rs.)	2020 (Rs.)	2019 (Rs.)
Finance Income	307,870	1,627,095	16,009,682	1,225,668	9,435,080
Administration Expenses	(5,962,278)	(7,753,562)	(9,411,210)	(6,540,697)	(9,931,740)
Net Profit /(Loss) after tax	3,814,462	(4,299,299)	5,008,966	(4,076,470)	(255,178)

2.3 Ratio Analysis

According to the financial statements and information made available to audit, some important ratios for the year under reviews compared with the proceeding years are given below.

Ratios	2023 %	2022 %	2021 %	2020 %	2019 %	2018 %
Percentage of Finance Income Growth/ (Reduction)	(81)	(90)	1206	87	(63)	(33)
Percentage of Administration Expenses Growth/ (Reduction)	(23)	(18)	44	34	14	11
Percentage of Net Profit Growth/ (Reduction)	189	(186)	(223)	1498	(101)	(89)

3. Accountability and Good Governance

3.1 Corporate Plan

Audit Issue	Management Comment	Recommendation
A Corporate Plan had not been prepared for the period which is covering the year of 2023.	The management of the Company is of the view that such planning initiatives can only be worked out when the project way forward arrangement is confirmed.	The corporate plan should be prepared and implement to achieve its strategic objectives.

3.2 Annual Action Plan

Audit Issue	Management Comment	Recommendation
An Annual Action Plan had not been prepared for the year 2023.	The management of the Company is of the view that such planning initiatives can only be worked out when the project way forward arrangement is confirmed.	The Company should prepare and obtain approval for the action plan at the beginning of the year and implement to achieve its annual targets.