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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No.

TIP/C/CHPL/FA/2022/05

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

11 April 2023

Chairman

Canwill Holdings (Pvt) Ltd

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Canwill Holdings (Pvt) Ltd for the year ended 31 December 2022 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

The above-mentioned report is sent herewith.

W.P.C. Wickramaratne

Auditor General





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Date

April 2023

The Chairman
Canwill Holdings (Private) Limited

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Canwill Holdings (Private) Limited and its subsidiaries for the year ended 31 December 2022 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

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 2022 comprising the statement of financial position as at 31 December 2022 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flow 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 report to Parliament in pursuance of provisions in Article 154(6) of the Constitution will be tabled in due course.

In my opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 December 2022, and of their financial performance and their 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 and the management of the Company seeks necessary directives from the line Ministry on way forward. 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, 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 shares held by Litro Gas Lanka Limited in Canwill Holdings (Pvt) Ltd to the General Treasury with immediate effect.

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 Other information included in the Company's 2022 Annual Report.

The other information comprises the information included in the Company's 2022 Annual Report, but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the Company's 2022 Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

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 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 intends 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 Company'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.

1.5 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 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 Group'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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

2.1. National Audit Act, No. 19 of 2018 and Companies Act, No. 7 of 2007 include specific provisions for following requirements.


2.1.1 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 as per the requirement of section 163 (2) (d) of the Companies Act, No. 7 of 2007 and section 12 (a) of National Audit Act, No. 19 of 2018.

- 2.1.2 The financial statements of the Company comply with the requirement of section 152 of the Companies Act, No. 07 of 2007.
- 2.1.3 The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- 2.1.4 The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.
- 2.2 Based on the procedures performed and evidence obtained which limited to matters that are material, nothing has come to my attention;
- 2.2.1 to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal course of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018;
- 2.2.2 to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018 except for;

Reference to Laws, Rules and Regulations or Directions issued by the governing body	Non-compliance
(a) Companies Act, No 07 of 2007 Section 52 (3)	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 was observed amount shown as share capital in the Financial Statements and records available at the Registrar of Companies.

2.2.3 to state that the Company has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018;

2.2.4 to state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018.


W.P.C. Wickramaratne
Auditor General

CANWILL HOLDINGS (PRIVATE) LIMITED
FINANCIAL STATEMENTS
31st December 2022

CANWILL HOLDINGS (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Period ended	Note	GROUP		COMPANY	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Revenue	4	-	-	-	-
Gross profit		-	-	-	-
Other income	5	-	1,275,890	-	-
Administrative expenses		(179,031,372)	(95,039,223)	(7,753,562)	(9,411,210)
Finance income	6	14,487,334	45,803,103	1,627,095	16,009,682
Finance expense		(285,905,880)	(12,946,659)	-	-
Net finance income		(271,418,545)	32,856,445	1,627,095	16,009,682
Revaluation Surplus of CWIP	11	1,691,504,291	1,174,131,288		
Other Expenses	7	(3,685,179,435)	(349,354,249)	-	-
Profit/ (Loss) before taxation	8	(2,444,125,062)	763,870,150	(6,126,467)	6,598,472
Income tax expense	9.2	(2,325,285)	(5,339,789)	1,827,168	(1,589,506)
Profit/ (Loss) for the year		(2,446,450,347)	758,530,361	(4,299,299)	5,008,966
Other comprehensive income/ (expenses)					
<u>Items that will never be reclassified to profit or loss</u>					
Actuarial gain on retirement benefit obligations	19.2	(889,027)	864,045	(52,949)	(614,442)
Gain on Land Revaluation		7,202,675,468	1,592,386,226	-	-
Income tax on other comprehensive income	14.1	-	-	-	-
Other comprehensive income/ (expenses) for the year (net of taxes)		7,201,786,441	1,593,250,271	(52,949)	(614,442)
Total comprehensive income/ (expenses) for the year attributable to the equity holders of the Company		4,755,336,094	2,351,780,632	(4,352,247)	4,394,524
Earnings per share (Rs.)	10	(1.17)	0.36	(0.002)	0.002

The accounting policies and notes form an integral part of these financial statements.
Figures in brackets indicate deductions.



CANWILL HOLDINGS (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION

As at,	Note	Group		Company	
		31.12.2022	31.12.2021	31.12.2022	31.12.2021
		<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
ASSETS					
Non-current assets					
Property, plant and equipment	11	37,599,741,024	27,069,941,047	-	-
Investment in subsidiaries	13	-	-	20,499,999,995	20,499,999,995
Prepayments		5,123,821	5,180,963	-	-
Deferred tax asset	14	2,033,665	206,498	2,033,665	206,498
Total non-current assets		37,606,898,510	27,075,328,509	20,502,033,660	20,500,206,493
Current assets					
Other receivables	15	18,363,710	30,061,479	1,852,547	5,047,027
Amounts due from related parties	16	2,445,735	2,787,055	356,973,432	357,136,633
Value Added Tax recoverable		19,751,749	17,944,404	-	-
Advance payments to contractors		496,368,198	867,476,791	-	-
Cash and cash equivalents	17	117,674,041	827,086,422	19,692,118	23,652,883
Total current assets		654,603,433	1,745,356,150	378,518,097	385,836,542
Total assets		38,261,501,942	28,820,684,659	20,880,551,757	20,886,043,035
EQUITY & LIABILITIES					
Equity					
Stated capital	18	20,500,000,035	20,500,000,035	20,500,000,035	20,500,000,035
Revaluation Reserves		12,858,456,693	5,655,781,225	-	-
Retained earnings		(6,095,592,703)	(3,643,826,896)	363,523,627	367,875,875
Total Equity		27,262,864,024	22,511,954,363	20,863,523,662	20,867,875,909
Non-current liabilities					
Retirement benefit obligation	19	3,951,256	3,820,368	570,432	500,598
Total non-current liabilities		3,951,256	3,820,368	570,432	500,598
Current liabilities					
Trade and other payables	20	3,611,575,739	2,106,410,229	1,261,881	3,671,130
Construction Work in Progress payable		2,370,777,958	1,668,809,981	-	-
Income tax payable		3,750,888,200	1,872,779	-	233,938
Short Term Loan	21	4,979,602,470	2,513,053,347	-	-
Amount due to related companies	22	28,979,607	14,763,610	15,195,782	13,761,460
Total current liabilities		10,994,686,662	6,304,909,946	16,457,663	17,666,528
Total liabilities		10,998,637,918	6,308,730,314	17,028,095	18,167,126
Total equity and liabilities		38,261,501,942	28,820,684,659	20,880,551,757	20,886,043,035

The accounting policies and notes form an integral part of these financial statements.

I certify that the financial statements for the year ended 31st December 2022 are in compliance with the requirements of Companies Act No. 7 of 2007.

.....
Chief Financial Officer
M F Faleel

The Board of Directors are responsible for the preparation and the presentation of these financial statements.
Approved and signed for and on behalf of the Board;

.....
Director
D. Thotawatte
22nd March 2023
Colombo, Sri Lanka

.....
Director
S R M S R Chandratilake



CANWILL HOLDINGS (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS

<i>For the Period ended</i>	Group		Company	
	2022	2021	2022	2021
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
<u>CASH FLOWS FROM/(USED IN)</u>				
<u>OPERATING ACTIVITIES</u>				
Profit before taxation	(2,444,125,062)	763,870,150	(6,126,467)	6,598,472
<i>Adjustments for;</i>				
Depreciation/amortisation of property, plant and equipment	64,281,437	50,546,772	-	-
Provision for retiring gratuity	736,862	(63,891)	43,886	(638,913)
Finance Cost	285,905,880	(6,053,341)	-	-
Finance income	(14,487,334)	(45,803,103)	(1,627,095)	(16,009,682)
Foreign currency translation loss	3,649,561,267	345,829,843	-	-
Revaluation Surplus of CWIP	(1,691,504,291)	(1,174,131,288)	-	-
Operating profit/(loss) before working capital changes	(149,631,242)	(65,804,859)	(7,709,676)	(10,050,123)
Working capital changes:				
(Increase)/decrease in trade and other receivables	27,169,828	42,996,560	3,194,480	(1,279,095)
(Increase)/decrease in dues from related parties	163,201	6,669,431	163,201	6,592,075
Increase/(decrease) in dues to related parties	12,959,794	(6,424,313)	-	-
Increase/(decrease) in trade and other payables	(49,109,576)	154,134,925	(1,208,865)	(389,802)
Cash generated from/(used in) operations	(158,447,995)	131,571,743	(5,560,861)	(5,126,945)
Interest expense paid	(66,167,500)	-	-	-
Income tax paid	(6,466,838)	(6,354,449)	-	-
Retiring gratuity paid	(1,495,000)	(440,000)	(27,000)	-
Net cash generated from /(used in) operating activities	(232,577,334)	124,777,294	(5,587,861)	(5,126,945)
<u>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</u>				
Acquisition and construction of property, plant and equipment	(557,439,490)	(1,409,400,343)	-	-
Investment in Subsidiary Companies	-	-	-	(1,999,999,995)
Finance income received	14,436,943	45,673,571	1,627,095	16,009,682
Advance (paid to)/receipts from contractors	-	(778,606,980)	-	-
Net cash flow from / (used in) investing activities	(543,002,546)	(2,142,333,752)	1,627,095	(1,983,990,313)
<u>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</u>				
USD Bridging Loan Facility obtained from PB	66,167,500	693,295,000	-	-
Proceeds from issue of share capital	-	1,999,999,995	-	1,999,999,995
Net cash flow from / (used in) financing activities	66,167,500	2,693,294,995	-	1,999,999,995
Net increase /(decrease) in cash & cash equivalents	(709,412,380)	675,738,536	(3,960,765)	10,882,737
Cash and cash equivalents at the beginning of the period	827,086,422	151,347,886	23,652,883	12,770,146
	117,674,042	827,086,422	19,692,118	23,652,883



Group

Company

*The accounting policies and notes form an integral part of these financial statements.
Figures in brackets indicate deductions.*



CANWILL HOLDINGS (PVT) LIMITED
SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

1 REPORTING ENTITY

1.1. Domicile and Legal Form

Canwill Holdings (Private) Limited ("Company") is a Private Limited Liability Company incorporated on 22nd December 2011 and registered under Companies Act No. 7 of 2007.

The registered office of the company is located at 116, Galle Road, Colombo 03.

The consolidated financial statements of the Company as at, and for the year ended 31st December 2022 comprise the financial statements of the Company and Subsidiaries (together referred to as the "Group")

The Financial Statements of all companies in the Group are prepared for a common financial year, which ends on 31st December 2022.

1.2. Principal Activities and Nature of Operations

Company

The principal activity of the Company is investment promotion in the leisure sector and controlling and monitoring subsidiaries as a holding company.

Subsidiaries

Sinolanka Hotels & Spa (Pvt) Ltd

The principal activity of the Company is engaging in business of hospitality trade, owning Grand Hyatt Colombo which is currently under construction.

Helanco Hotels & Spa (Pvt) Ltd

The principal activity of Helanco Hotels & Spa (Pvt) Ltd was to engage in business of hospitality trade, Owning Hyatt Regency Hambantota Hotel. However, the Board of Directors of the Company of Helanco Hotels & Spa (Pvt) Ltd have resolved to discontinue the project to construct the Hotel in Hambantota in the year 2015. The current Board of Directors are seeking necessary directives from the line Ministry on way forward of Helanco Hotels and Spa (Pvt) Ltd.

1.3. Parent Enterprise and Ultimate Parent Enterprise

The Company's immediate parent undertaking, controlling entity and ultimate holding company is Sri Lanka Insurance Corporation Limited, which is incorporated in Sri Lanka.

2 BASIS OF PREPARATION

2.1. Statement of Compliance

The Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Changes in Equity and Statement of Cash Flows, together with the accounting policies and notes, (the "Financial Statements") of the Group as at 31st December 2022 and for the year then ended have been prepared in accordance with Sri Lanka Accounting Standards prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS), promulgated by the Institute of Chartered Accountants of Sri Lanka and complies with the requirements of the Companies Act No 07 of 2007.



2.2. Date of Authorisation for Issue

The Financial Statements of the Company for the year ended 31st December, 2022 were authorised for issue by the Board of Directors on 22nd March 2023.

2.3. Basis of Measurement

The financial statements have been prepared on a historical cost basis except that defined benefit plans are measured at the present value of the defined benefit obligations as explained in Note 21 to the financial statements.

2.4. Functional and Presentation Currency

All balances presented in financial statements are in Sri Lankan Rupees, which is the Group's functional currency.

2.5. Going Concern

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.

The Board of Directors of the Helanco Hotels & Spa (Pvt) Ltd have has not resolved to liquidate the Company in the foreseeable future and the management of the company seeks necessary directives from the line Ministry on way forward. During the Board meeting held on 17th January 2023, Board of Directors of Helanco Hotel and spa (Pvt) Ltd has resolved that, the Financial Statements of Helanco Hotel & Spa (Pvt) Limited continue to be prepared on the Going Concern basis.

The Board of Directors of the of Sinolanka Hotels & Spa (Pvt) Ltd 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, Cabinet of Ministers have granted their approval to recommence the construction activities of the Grand Hyatt Colombo Project at the Cabinet of Ministers meeting dated 08th July 2020. Accordingly, construction works of the project were recommenced during the year 2020.

Further, In May 2022 the Board of Directors resolved to suspend the Grand Hyatt project since the external environment was not conducive to continue the project with the devaluation of Rupee against US Dollar and imports were no more feasible due USD 175 Million offshore Debt / Equity financing arrangement not proceeding as planned due to the announcement of Sri Lanka's pre emptive default status by CBSL on 12th April 2022, as such from May 2022 the Grand Hyatt project was suspended.

ON 26th September 2022 a meeting was held under the Chairmanship of Secretary to the Treasury, Ministry of Finance and Economic Stabilization at the Ministry of finance where all stake holders were present along with the Director General of SOE Restructuring. At that meeting it was revealed by the Secretary to the Treasury, that a new unit has been set up for SOE Restructuring and the unit is headed by Director General



CANWILL HOLDINGS (PVT) LIMITED

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

SOE Restructuring Unit Mr.Suresh Shah and the newly formed SOE restructuring unit will fall under the direct purview of Ministry of Finance and Economic Stabilization and will carry forward the SOE restructuring. It was also mentioned at that meeting that Grand Hyatt Project is also a listed entity along with many other SOE's that are identified and shortlisted to proceed with immediate divestment. Under letter reference PED/S/SLIC/SINO/6/11(Vol1.IV) dated 27th September 2022 , a follow up meeting was called on 28th September and discussed the way forward of the Grand Hyatt Project in view of the decision taken for immediate divestment

Further ,on 20th October 2022 the Board of Directors of Sino Lanka Hotel and Spa (Pvt) Ltd resolved to proceed with a 100% divestment following the regulatory process .As of Balance sheet date, the Board of Directors are awaiting for directives on the course of action that needs to be taken from the Director General of SOE reforms unit to proceed with full divestment of the Grand Hyatt Project.

2.6. Comparative Information

The Accounting Policies have been consistently applied by the Company are consistent with those of the previous year except for the changes in the policy due to adoption of SLFRS 9. The Company presents financial statements following modified restatement method and hence the comparative figures are not comparable with the current year figures. The previous year's figures and phases have been rearranged wherever necessary to conform to the current year's presentation.

2.7. Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

2.8. Changes in Accounting Policies

The Group has adopted SLFRS 9 and SLFRS 15 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt any SLFRS 9 and SLFRS 15 in previous period.

SLFRS 9 contains three principal classification categories for financial assets; measured at amortized cost, FVTOCI and FVTPL. The standard eliminates the existing LKAS 39 categories of held to maturity, loans and receivables and available for sales. Under SLFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead the hybrid financial instrument as a whole is assessed for classification.

As permitted by the transitional provisions of SLFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period. The Group has also elected to continue to apply the hedge accounting requirements of LKAS 39 on adoption of SLFRS 9. Consequently, for notes disclosures, the consequential amendments to SLFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of SLFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. SLFRS 9 also significantly amends other standards dealing with financial instruments such as SLFRS 7 'Financial Instruments:



CANWILL HOLDINGS (PVT) LIMITED

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Disclosures'. The adoption of SLFRS 15 has not created any changes to the recognition and measurement of revenue.

2.9. Use of Estimate and Judgment

The preparation of the Financial Statements in conformity with Sri Lanka Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Note 20 – Measurement of retirement benefit obligations

Note 25 – Contingent liabilities

2.10. Write-off policy

The Group writes off financial assets in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Group may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 December 2018 was Rs. 4,987,000. The Group still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements, except for the changes in the policy due to first time adoption of SLFRS 15 and SLFRS 9. The Company presents financial statements following modified restatement method and hence the comparative figures are not comparable with the current year figures.

3.1. Basis of consolidation

a) Subsidiaries

Subsidiaries are those entities controlled by the Group. The Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)



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- Exposure, or rights to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

The Group considers all relevant facts and circumstances in assessing whether it has power over an investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

b) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2. Foreign Currency Translations

Transactions in foreign currencies are translated to the functional currency at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognised in profit or loss.

3.3. Property, Plant and Equipment

a) Recognition and Measurement

Property, Plant & Equipment are recorded at cost less accumulated depreciation which is provided for on the bases specified in 3.3(c) less accumulated impairment losses if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised.

The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

c) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.



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Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current period are as follows:

Office Equipment	06 2/3 Years
Motor Vehicles	04 Years
Computers	04 Years
Software	04 Years
Furniture & Fittings	06 2/3 Years

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale or is derecognized.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

d) Capital Work In Progress

Capital expenses incurred during the year which are not completed as at the yearend are shown as Capital Work In Progress whilst, the Capital assets which have been completed during the year and put to use have been transferred to Property, Plant and Equipment.

3.4. Inventories

a) Material at site

Materials at site are the construction materials which are carried at Cost.

3.5. Leases

From 1 January 2019, the company has applied SLFRS 16 to identify the Leasehold assets.

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. It will result in almost all leases being recognised on the statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low value leases.

The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for the users of financial statements to assess the effect that leases have on the financial position.

Right to Use Land on Lease

Initial Payment and Pre- paid lease Rental paid in advance to acquire Right to use land on lease are amortized over the lease term in accordance with the pattern of benefits provided.

Details of the Initial Payment and pre-paid lease rentals are given in note 11 to the financial statements respectively.



3.6. Financial Instruments

3.6.1 Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade date, the date on which the Group commits to purchase or sell the asset.

At initial recognition the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

- (a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- (b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instruments fair value can be determined using market observable inputs or realised through settlement.

3.6.2 Financial Assets

3.6.2.1. Classification and subsequent measurement

From 1 January 2018, the Group has applied SLFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL):
- Fair value through other comprehensive income (FVOCI): or
- Amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective. Classification and subsequent measurement of debt instruments depend on:

- (i) the Group's business model for managing the asset: and
- (ii) the cash flow characteristics of the asset.



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Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

3.6.2.1.1 Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPF) and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note xx. Interest income from these financial assets is included in 'Finance Income' using the effective interest rate method. The Group currently holds cash in hand and bank, fixed deposits, other receivables, short term loan, interest receivables and short-term treasury bills under this category.

3.6.2.1.2 Fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets cash flows represent solely payments of principal and interest and that are not designated at FVPL are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instruments amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in profit or loss statement. Interest income from these financial assets is included in 'Finance Income' using the effective interest rate method.

3.6.2.1.3 Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in profit or loss statement. Interest income from these financial assets is included in 'Finance Income' using the effective interest rate method.

- **Business model**

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Group in determining the business model of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

- **SPPI**

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or



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loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective, that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Group's equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Gains and losses on equity investments at FVPL are included in the statement of profit or loss.

3.6.2.1 Impairment

The Group assesses on a forward-looking basis the expected credit loss ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

SLFRS 9 outlines a three-stage model for impairment based on changes in credit quality since initial recognition.

- A financial instrument that is not credit impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk (SICR) since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired.
- If the financial instrument is credit impaired, the financial instrument is then moved to 'Stage 3'

Financial instruments in Stage 1 have their ELC measured at an amount equal to the portion of lifetime credit losses that result from default events possible within the next 12 months. Instruments in Stage 2 and Stage 3 have their ELCs measured based on expected credit losses on a lifetime basis. (Refer to Note 3.3.2.1.2 for a description of inputs, assumptions and estimation techniques used in measuring ELC)



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Purchased or originated credit impaired financial assets are those financial assets that are credit impaired on initial recognition. Their ELC is always measured on a lifetime basis (Stage 3)

3.6.2.1.1. Measurement of the Expected Credit Loss (ECL) allowance

The measurement of expected credit loss allowance for financial assets measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgements are also required in applying the accounting requirements for measuring ECL.

3.6.2.2 Derecognition

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

- (i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
- (ii) Is prohibited from selling or pledging the assets; and
- (iii) Has an obligation to remit any cash it collects from the assets without material delay.

3.6.3 Financial liabilities

3.6.3.1. Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;



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- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments.

3.6.3.2. Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

3.7. Financial Instruments

The Group recognizes a financial asset or a financial liability in its statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of a financial asset or a liability (other than financial assets and financial liabilities at fair value through profit or loss) are added or deducted from the fair value of the financial asset or liability, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets and liabilities are offset and the net amount is presented when, and only when the Group has a legal right to offset the amount and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.7.1. Financial Assets

Initial Recognition and Measurement

Financial assets within the scope of LKAS 39 are classified as financial assets – held for trading, loans and receivables, held-to-maturity, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.



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All financial assets are recognized initially at fair value plus transaction costs, in the case of assets not at fair value through profit or loss. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and cash Equivalents, Amounts due from related parties and other receivables.

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as described below:

Loans and Receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method EIR, less allowance for impairment. Amortised cost is calculated taking in to account any fees and cost that are integral part of the EIR. The amortisation is included in the "Interest Income" in the Statement of Profit or Loss. The losses arising from impairment are recognized in the Statement of Comprehensive Income in "Impairment Charge".

The Company's classification under loans and Receivables include cash and cash equivalents, Amounts due from related parties and other receivables.

3.7.2. Impairment of financial assets

Financial assets other than those measured at fair value are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that as a result of one or more event that occurred after the initial recognition of the financial assets, the estimated future cash from the asset have been affected.

3.7.3. De - recognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the asset has expired, or when the Group has transferred the financial asset and subsequently all the risks and rewards of ownership to another entity.

On de-recognition of financial asset, the difference between the carrying amount of the asset and the sum of the consideration received and receivable, and the cumulative gain or loss that had been recognized in other comprehensive income or accumulated in equity is recognized in profit or loss.

3.7.4. Financial Liabilities

Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 at initial recognition are classified as financial liabilities at fair value through profit or loss or loans and borrowings.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.



The financial liabilities include Trade and other payables, Amounts due to related parties, Bank overdrafts.

3.7.5. De-recognition of financial Liability

Financial liabilities are derecognized when and only when they are extinguished, that is when the obligation is discharged, cancelled or expired.

3.8. Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of Statement of Cash Flows, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts.

3.9. Stated capital

a) Classification

Ordinary shares with discretionary dividends are classified as equity. Other shares are classified as equity or liability according to the economic substance of the particular instrument. Distribution to holders of a financial instrument classified as an equity instrument is charged directly to equity.

b) Share issue expenses

Incremental costs directly attributable to the issuance of new shares, net of any tax effect, are shown in equity as a deduction.

c) Dividend to shareholders of the Company

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the board of directors/shareholders.

3.10. Impairment of Non-Financial Assets

The carrying amount of assets are reviewed at each reporting date, if there is an indication of impairment based on internal and external factors.

An asset is treated as impaired when the carrying cost of the asset exceeds its recoverable amount. An asset's recoverable amount is the higher of an assets fair value less cost to sell and value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Fair value less cost to sell is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, less the costs of disposal.

An impairment loss, if any, is charged to the Statement of Profit and Loss and Other Comprehensive Income in the year in which the asset is identified as impaired. Impairment loss recognised in prior years is reversed when there is an indication that impairment loss recognised for the asset no longer exists or has decreased.



LIABILITIES AND PROVISIONS

Liabilities classified as Current Liabilities in the Statement of Financial Position are those obligations payable on demand or within one year from the balance sheet date. Items classified as non current liabilities are those obligations, which expire beyond a period of one year from the year end.

All known liabilities have been accounted for in preparing the Financial Statements. Provision and liabilities are recognized when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.11. Employee Benefits

a) Defined Contribution Plans– Employees’ Provident Fund & Employees’ Trust Fund

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Employees are eligible for Employees’ Provident Fund Contributions and Employees’ Trust Fund Contributions in accordance with the respective statutes and regulations. The Group contributes 15% and 3% of gross emoluments of employees to the Employees’ Provident Fund and Employees’ Trust Fund, respectively.

b) Defined Benefit Plan – Retiring Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The Group’s net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on Treasury bonds that have maturity dates approximating the terms of the Group’s obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

The Group recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income.

However, according to the Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continuous service. The liability is not externally funded.

c) Short Term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and expensed as the related service is provided.



3.12. Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

3.13. Revenue Recognition

Group revenue represents sales to customers outside the Group and excludes value added tax. The Group recognizes and measures revenue under five step approach as per SLFRS 15- Revenue from Contracts with customers. Measurement of revenue is based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when the performance obligations are satisfied.

In the comparative period, revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being received. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts, value added taxes and intra-group revenue. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

The following specific criteria are used for the purpose of recognition of revenue:

- Dividend income is recognised in profit or loss when the right to receive dividends is established.
- Interest income is recognised as it accrues.

3.14. Other Income

Other income is recognized on an accrual basis.

Gains or losses on the disposal of property, plant and equipment are determined by comparing the net sales proceeds with carrying amount. These are included in profit or loss.

3.15. Finance Income

Finance income comprises interest income on funds invested (including available-for-sale financial assets), gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

3.16. Expenditure Recognition

a) Operating Expenses

All expenditure incurred in the running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency has been charged to profit or loss.

b) Finance Expenses



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Finance expenses comprise interest expense on borrowings and impairment losses recognised on financial assets.

Foreign currency gains and losses are reported on a net basis.

Borrowing Cost

Borrowing costs that are attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of such asset till such time the asset is ready for its intended use. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are recognised as an expense in the period in which they are incurred

Borrowing cost consists of interest expense and other financial costs incurred in connection with borrowing of funds.

3.17. Income Tax Expenses

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

a) Current Taxation

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

b) Deferred Taxation

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously. A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

STATEMENT OF CASH FLOWS

The statement of cash flows has been prepared by using the "Indirect Method" in accordance with LKAS 7- Statement of Cash Flows.

Cash and Cash equivalents comprises cash balances, deposits with banks and placements.



3.18. Earnings Per Share

The Group presents basic Earnings per Share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted number of ordinary shares outstanding during the period.

3.19. Events Occurring After the Reporting Date

All material post balance sheet events have been considered and where appropriate adjustment to or disclosures have been made in the financial statements.

3.20. Capital Commitments and Contingencies

Capital commitments and contingent liabilities of the Group are disclosed in the financial statements.



4 REVENUE

The Company is the parent entity of Sinolanka Hotels & Spa (Pvt) Ltd and Helanco Hotels & Spa (Pvt) Ltd. Sinolanka Hotels & Spa (Pvt) Ltd is in the process of constructing the Grand Hyatt Hotel in Colombo and there were no commercial operations during the year 2022.

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 the Company of Helanco Hotels & Spa (Pvt) Ltd have resolved to discontinue the project to construct the Hotel in Hambantota in the year 2015. As a consequence, the hotel construction activities of the project has come to an end. Further, the Ministry of Public Enterprise Development has given their instructions to transfer the company's stake in proportion of shareholding in Canwill Holdings (Pvt) Ltd (Parent Company), in accordance with the Cabinet Decision No. 17/1613/733/029 dated 01st August 2017. This program has not been executed as of reporting date. The Company has not resolved to liquidate the Company in the foreseeable future and the management of the company seeks necessary directives from the line Ministry on way forward. During the Board meeting held on 17th January 2023, Board of Directors of Helanco Hotel and spa (Pvt) Ltd has resolved that, the Financial Statements of Helanco Hotel & Spa (Pvt) Limited 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, Cabinet of Ministers have granted their approval to recommence the construction activities of the Grand Hyatt Colombo Project at the Cabinet of Ministers meeting dated 08th July 2020. Accordingly, construction works of the project were recommenced during the year 2020.

Further, In May 2022 the Board of Directors resolved to suspend the Grand Hyatt project since the external environment was not conducive to continue the project with the devaluation of Rupee against US Dollar and imports were no more feasible due USD 175 Million offshore Debt / Equity financing arrangement not proceeding as planned due to the announcement of Sri Lanka's pre emptive default status by CBSL on 12th April 2022 , as such from May 2022 the Grand Hyatt project was suspended. ON 26th September 2022 a meeting was held under the Chairmanship of Secretary to the Treasury, Ministry of Finance and Economic Stabilization at the Ministry of finance where all stake holders were present along with the Director General of SOE Restructuring . At that meeting it was revealed by the Secretary to the Treasury, that a new unit has been set up for SOE Restructuring and the unit is headed by Director General SOE Restructuring Unit Mr.Suresh Shah and the newly formed SOE restructuring unit will fall under the direct purview of Ministry of Finance and Economic Stabilization and will carry forward the SOE restructuring. It was also mentioned at that meeting that Grand Hyatt Project is also a listed entity along with many other SOE's that are identified and shortlisted to proceed with immediate divestment. Under letter reference PED/S/SLIC/SINO/6/11(Vol.IV) dated 27th September 2022 , a follow up meeting was called on 28th September and discussed the way forward of the Grand Hyatt Project in view of the decision taken for immediate divestment

Further ,on 20th October 2022 the Board of Directors of Sino Lanka Hotel and Spa (Pvt) Ltd resolved to proceed with a 100% divestment following the regulatory process .As of Balance sheet date, the Board of Directors are awaiting for directives on the course of action that needs to be taken from the Director General of SOE reforms unit to proceed with full divestment of the Grand Hyatt Project.



CANWILL HOLDINGS (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2022	2021	2022	2021
<i>For the year ended</i>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
5 OTHER INCOME				
Sundry Income	-	1,275,890	-	-
	-	1,275,890	-	-
	Group		Company	
	2022	2021	2022	2021
<i>For the Period ended</i>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
6 FINANCE INCOME				
Interest income from Government securities - Repo	14,366,618	45,727,059	1,627,082	16,009,682
Interest income from savings	8,489	8,951	13	-
Interest income from call deposits	112,227	67,093	-	-
	14,487,334	45,803,103	1,627,095	16,009,682
7 OTHER EXPENSES				
Cost of Mutual Suspension of Contracts	35,618,168	-	-	-
Foreign currency translation loss	3,649,561,267	345,829,843	-	-
Loss on sales construction materials	-	3,524,406	-	-
	3,685,179,435	349,354,249	-	-
8 PROFIT BEFORE TAXATION				
<i>Profit before taxation is stated after charging all expenses including the following ;</i>				
	Group		Company	
	2022	2021	2022	2021
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
Auditors' remuneration	453,000	502,850	170,000	182,850
Depreciation of property, plant and equipment	6,421,613	4,269,808	-	-
Amortization of write of use hold asset	57,802,679	46,219,820	-	-
Directors emoluments	14,428,384	14,207,228	1,815,547	1,920,488
Staff related cost (Note 8.1)	71,634,813	24,774,033	2,663,093	1,920,794
Legal expenses	10,779,669	1,382,150	2,388,199	-
8.1 Staff costs				
Salaries and related costs	65,461,931	20,917,582	2,349,230	1,758,543
Defined contribution plan cost- EPF and ETF	5,383,073	2,335,772	217,028	186,722
Defined benefit plan cost - retiring gratuity	789,810	1,520,679	96,835	(24,471)
	71,634,813	24,774,033	2,663,093	1,920,794
Number of employees	25	43	25	43.00

All staff have been recruited for Canwill Holdings (Pvt) Ltd and the related staff cost have been proportionately allocated to the respective subsidiary companies depending on the services obtained.

9 INCOME TAX EXPENSE

9.1 Applicable Tax Exemptions, Tax Holidays or Tax Concessions

Sinolanka Hotels and Spa (Pvt) Ltd

Under the Strategic Development Projects Act, No 14 of 2008, the provisions of the Inland Revenue Act relating to income tax shall not apply to the profits from business of the company for a period of 10 years. The tax exemption period will commence from the first year in which the company makes taxable profits or 3 years after commencement of commercial operations, whichever comes first.

On the expiry of tax exemption period, profits and income of the company shall be charged at the rate of 6% or at 50% of the prevailing tax rate for the hotel industry, whichever is lower. These tax rates will be effective for a period of 15 years immediately succeeding the exemption period.

After the expiration of the aforesaid period, profits and income of the Company shall be taxed in terms of provisions in the Inland Revenue Act in force at that time.

Canwill Holdings (Pvt) Ltd and Helanco Hotels and Spa (Pvt) Ltd

The company and the Helanco Hotels and Spa (Pvt) Ltd have been calculated on their adjusted profits at 30% in terms of the Inland Revenue Act No. 24 of 2017 and amendments thereto.



CANWILL HOLDINGS (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

9 INCOME TAX EXPENSE (Contd.)

<i>For the period ended</i>	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
9.2 INCOME TAX EXPENSE				
<u>Current tax expense</u>				
Income tax on current year profits (Note 9.3)	4,152,453	3,984,220	-	233,938
Under/(over) provision in respect of previous	-	-	-	-
	4,152,453	3,984,220	-	233,938
<u>Deferred tax expense</u>				
Origination of temporary differences (Note	(1,827,168)	1,355,569	(1,827,168)	1,355,569
Income tax expense reported in the income statement	2,325,285	5,339,789	(1,827,168)	1,589,506

9.3 Reconciliation of accounting profit with taxable profits:

Accounting profit before taxation	(2,444,125,062)	763,870,150	(6,126,467)	6,598,472
Aggregate disallowed expenses	6,504,996	3,707,949	43,886	-
Aggregate allowable deductions	(1,822,036)	(882,895)	-	-
Interest income	(14,366,632)	(45,730,905)	(1,627,095)	(16,009,682)
Interest Income from Savings	(8,489)	(5,106)	(13)	-
Interest Income from call deposits	(112,227)	(67,093)	-	-
Other Income	-	(1,275,890)	-	-
Revaluation Surplus of CWIP	(1,691,504,291)	(1,174,131,288)	-	-
Tax profit/(loss) from business	(4,145,433,740)	(454,515,077)	(7,709,690)	(9,411,210)
Income from other sources				
Interest income	14,487,348	45,803,103	1,627,095	16,009,682
Other Income	-	1,275,890	-	-
Total non business income	14,487,348	47,078,993	1,627,095	16,009,682
Less; Section 19 deductions				
Tax loss claimed during the year	(8,494,175)	(49,478,077)	(1,627,095)	(15,034,942)
Taxable profit for the year	5,993,173	(2,399,084)	-	974,740
<u>Income tax charged at;</u>				
Tax on non business income	4,152,453	3,984,220	-	233,938
Tax expense for the year	4,152,453	3,984,220	-	233,938

9.4 Tax loss analysis

Balance as at 1 st January 2022	1,227,349,145	822,312,144	-	5,623,733
Tax loss incurred during the year	4,145,433,740	454,515,077	7,709,676	9,411,210
Tax loss claimed during the year	(8,494,175)	(49,478,077)	(1,627,095)	(15,034,942)
Balance as at 31 st December 2022	5,364,288,710	1,227,349,145	6,082,581	-

10 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Net profit/ (Loss) attributable to ordinary	(2,446,450,347)	758,530,361	(4,299,299)	5,008,966
Weighted Average Number of Ordinary	2,085,294,121	2,085,294,121	2,085,294,121	2,085,294,121
Basic earnings per ordinary share (Rs.)	(1.17)	0.36	(0.00)	0.00

There were no potentially dilutive ordinary shares outstanding at any time during the year, hence diluted earnings per share is equal to the basic earning per share.



CANWILL HOLDINGS (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

11 PROPERTY, PLANT AND EQUIPMENT

Group	Right of Use the Leasehold Land Rs.	Freehold Land Rs.	Motor Vehicles Rs.	Office Equipments Rs.	Computer Equipments Rs.	Furniture & Fittings Rs.	Capital Work In Progress Rs.	Total Rs.
Cost / fair Value								
As at 1st January 2022	5,192,117,838	2,333,170,000	17,690,000	2,098,800	5,195,148	3,942,800	19,529,400,000	27,083,614,586
Additions	-	-	-	-	-	189,180	1,699,655,330	1,699,844,510
Disposals	-	-	-	-	-	-	-	-
Adjustments -Revaluation	(56,062,095)	-	-	-	-	-	-	(56,062,095)
Revaluation of Assets	366,511,755	173,880,000	-	-	-	-	8,353,788,004	8,894,179,759
As at 31st December 2022	5,502,567,498	2,507,050,000	17,690,000	2,098,800	5,195,148	4,131,980	29,582,843,334	37,621,576,760
Depreciation								
As at 1st January 2022	12,762,691	-	-	-	910,848	-	-	13,673,539
Charge for the year	57,802,679	-	4,422,504	314,832	1,071,072	613,205	-	64,224,292
Adjustments	(56,062,095)	-	-	-	-	-	-	(56,062,095)
Disposals	-	-	-	-	-	-	-	-
As at 31st December 2022	14,503,275	-	4,422,504	314,832	1,981,920	613,205	-	21,835,736
Carrying amount								
As at 1st January 2022	5,179,355,147	2,333,170,000	17,690,000	2,098,800	4,284,300	3,942,800	19,529,400,000	27,069,941,047
As at 31st December 2022	5,488,064,223	2,507,050,000	13,267,496	1,783,968	3,213,228	3,518,775	29,582,843,334	37,599,741,024



11 PROPERTY PLANT AND EQUIPMENT (contd..)

CANWILL HOLDINGS (PRIVATE) LIMITED

	Computer equipment	
	Rs.	Rs.
<u>Cost</u>		
Balance As at 1st January 2022	910,848	910,848
Balance As at 31st December 2022	910,848	910,848
<u>Depreciation</u>		
	910,848	39,806
Charge for the year	-	-
As at 31st December 2020	910,848	39,806
<u>Carrying amount</u>		
As at 1st January 2022	-	-
As at 31st December 2022	-	-

Sinolanka Hotels & Spa (Pvt) Ltd

Leasehold land

Sinolanka Hotels & Spa (Pvt) Ltd entered into an agreement dated 16th July 2012 with the Urban Development Authority (hereafter referred to as the "Lessor"), whereby Lessor allocated to the Company (hereafter referred to as the "Lessee") a block of land bearing assessment No. 116, Galle Road, Colombo 03 comprising in extent 0.6057 Hectares together with the partly constructed building thereon, for an annual nominal lease of Rs. 10,000/- for a term of period of 99 years for the purpose of constructing and operating a Luxury Hotel Complex. The agreement further provided that the settlement of nominal annual lease for the period of 99 years in one lump sum of Rs. 990,000/-.

Upon the termination of the lease by effluxion of time, the Lessor may grant to the Lessee or its successors a renewal of the lease for a further period of 99 years or for a period to be mutually agreed upon by the Lessor and Lessee

In the event of termination or determination of the lease at the expiration of the said term as the case may be and on the Lessee yielding the demised premises with all buildings and with all furniture and fixtures and everything standing thereon to the Lessor, the Lessor shall purchase the building and everything standing thereon at the market value prevailing at the time of yielding.

In addition to the aforesaid lease agreement, the Government valuation department determined a value of Rs. 5.0 billion to be paid by the company as full and final consideration to the Secretary to the Treasury in respect of the said property situated at 116, Galle Road, Colombo 03. The Valuation department further determined that the value attributable to the land in extent of 0.6057 hectares based on a 99 year lease for the purpose of constructing and operating a Luxury Hotel Complex amounted to Rs. 1.228 billion. The balance value was included in capital work in progress. Of the above referred Rs. 5.0 billion, Rs 4.8 billion has been paid to date to the secretary to the treasury. During the year 2016, Rs. 200 million which was previously recognised as payable to the secretary to the treasury was written back to the capital work in progress based on a decision made by the board of directors.

Leasehold land was reclassified as Right of Use Assets with effect from 01st January 2019 with adoption of SLFRS 16 – Leases. Initial pre-payment and rental paid in advance to acquire right to use land on lease are capitalized and then amortized over the lease term in accordance with the pattern of benefits provided



Freehold Land

The Company has purchased three blocks of land with buildings attached to land, with the intention of demolishing the buildings in 2014 to facilitate the expansion of ballroom, car parking facilities, re- organization of traffic circulation and compliance with the regulatory requirement. The total cost of the said properties purchased during 2013 was Rs 1,139,357,179. The total cost is allocated between freehold land and CWIP. The cost allocated to freehold land is determined on the basis of a valuation determined by the government valuation department which is Rs 7 Million per perch. Thereby Rs. 716,734,184 is allocated as the cost of the freehold land purchased. The land extent of the three blocks of land are Assessment No 112 - 62.77 p, Assessment No 108 - 15p and Assessment No 134 - 20.10p.

In addition to the above freehold land, the Company occupies approximately 22.56p of land which was previously owned by Ceylinco Homes International Ltd and followings are the legal consequences connected therein.

Case No. DLM/43/18 was filed in the District Court of Colombo by Ceylinco Homes International (lotus tower) Ltd against Sinolanka Hotels & Spa (Pvt) Ltd, requesting to issue a declaration from the Court that they are the lawful owner of property and to eject the present occupier from the property, to recover damages and issue a Permanent Injunction restraining Sinolanka Hotels & Spa (Pvt) Ltd from occupying and making carrying out further construction on the property. The case was subsequently rejected by the Learned District Court Judge of Colombo by her order dated 24th July 2018.

Subsequently, the lawyers of the plaintiff sought leave of the court to resurvey the disputed property and such resurveyed plan was submitted to the court by the licensed surveyor on 07th August 2019. The court postponed the proceedings of the case until the determination of the case No. CA (Writ) Application No. 219/18 in the court of appeal, which is the Writ matter filed by the Ceylinco Homes International (lotus tower) Ltd. against Sinolanka Hotels & Spa (Private) Limited connected to the same property.

CA (Writ) Application No. 219/18, the acquisition process of this land has initiated by the Line Ministry (Ministry of Public Enterprise Development), through an Extraordinary Gazette No. 2065/24, dated 04th April 2018 in order to obtain immediate possession of the land by the Ministry of Land and Parliamentary Reforms. However, CA (Writ) Application No. 219/18 has instituted in the Court of Appeal by the Ceylinco Homes International Ltd on 02nd July 2018 against Ministry of Lands, Acquiring Officer, Urban Development Authority and Sinolanka Hotels & Spa (Pvt) Ltd in the Court of appeal in order to issue Writ of Certiorari quashing the order made under provision (a) to Section 38 of the Land Acquisition Act by the Minister of Lands and Parliamentary Reforms. The case was on going as at reporting date.

Capital work in progress

Capital work in progress reflects the value of construction of the property at No 116, Galle Road, Colombo 03 at revalued amount as at 30th June 2021 of Grand Hyatt Colombo which is under construction as at the reporting date.

Divestiture the ownership of the Grand Hyatt Colombo Hotel project was approval by the Cabinet of Ministers on 01st August 2017 and the proposed divestiture program was to be completed before end of June 2019. However, the said divestiture program was not executed within the stipulated time period and construction works of the Project were on hold. After a lengthy stand still period of construction , The Cabinet of Ministers approval was granted to recommence the construction activities at the Cabinet of Ministers meeting dated 08th July 2020. Accordingly, construction works of the Grand Hyatt Colombo Project were recommenced during the year 2020 and successfully ongoing as at the reporting date.

Revaluation of property plant and equipment

In early 2019, the company carried out an asset revaluation for the Land and Construction Work in Progress (partly constructed building) through an independent valuer, in order to reflect the fair value of the assets in the financial statements of the company as at 31st December 2019. Further a valuation has been carried out as at 31st December 2021 and the company has recognized the appreciation of Land value including right-of-use land on lease to Rs. 7,352,970,000/- and Appreciation of the Capital Work in Progress (partly constructed building) amounting to Rs. 19,548,400,000/- in the financial year end 31st December 2021. and other asset reffect in note 11.



Revaluation of property plant and equipment (Cont...)

Due to the stress economic conditions that prevailed during the entire financial year 2022, and rapid depreciation of the rupee and the project was moving towards divestment, Further independent valuation was conducted in 31st December 2022. This valuation reflected a significant appreciation of the property value referring to the current market conditions specially linked with changes of exchange rates and company has recognized the appreciation of Land value including right-of-use land on lease to Rs.7,837,299,660/- and Appreciation of the Capital Work in Progress (partly constructed building) amounting to Rs. 29,609,760,000/- in the financial year end 31st December 2022 and other asset revalue in note 11.

Helanco Hotels & Spa (Pvt) Ltd

Leasehold land

The Company entered into an agreement dated 1st September 2014 with the Urban Development Authority (hereafter referred to as the "Lessor"), whereby Lessor allocated to the Company (hereafter referred to as the "Lessee") a block of land situated at Lewaya Road, Hambantota, comprising in extent 3.812 Hectares, for a sum of Rs. 149,601,875/- for a term of period of 99 years, for the purpose of constructing and operating a Luxury Hotel Complex. The agreement further provided that the settlement of annual nominal ground rental for the period of 99 years in one lump sum of Rs. 4,950,000/-.

Leasehold land was reclassified as Right of Use Assets with effect from 01st January 2019 with adoption of SLFRS 16 – Leases. Initial pre-payment and rental paid in advance to acquire right to use land on lease are capitalized and then amortized over the lease term in accordance with the pattern of benefits provided.

Impairment of property, plant and equipment

In accordance with Sri Lanka Accounting Standards (LKAS) 16 – Property, Plant and Equipment, the initial costs incurred in relation to the commencement of construction of Hyatt Hotel at Hambantota were capitalized. The Board of Directors of the Company had since resolved to discontinue with the construction of the Hotel. As a consequence, the costs incurred so far on the project had been considered impaired as it would not be probable that the future economic benefits associated with these costs would flow to the entity. As such, a provision for impairment of Capital Works-in-Progress of Rs. 111,103,548/- had been recorded in the financial statements of 2015.

The hotel in Hambantota was to be constructed on a leased-hold land obtained from the Urban Development Authority for 99 years. The consideration paid to the Urban Development Authority with related taxes and other charges paid thereon for the use of the rights to the land were recognized as leasehold land and property in the financial statements for 2014. As the company had since resolved to discontinue with the hotel project the Board of Directors are evaluating options available to the company. The Directors are of the view that the un-amortized leasehold land value of Rs. 159,555,147/- as at 31st December 2021 could be recovered from the disposal of the property. Hence, no impairment provision had been considered necessary on the asset.



CANWILL HOLDINGS (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

<i>As at</i>	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
12 <u>INTANGIBLE ASSETS</u>				
Cost	408,330	408,330	408,330	408,330
Amortisation				
As at the beginning of the year	408,330	408,330	408,330	408,330
Amortisation for the year	-	-	-	-
Balance at the end of the year	408,330	408,330	408,330	408,330
Carrying amount	-	-	-	-

The intangible assets comprises of accounting system, payroll system and communication solutions acquired and used for the purpose of group companies which have been fully depreciated to the reporting date.

13 <u>INVESTMENT IN SUBSIDIARIES</u>	<u>Holding Percentage</u>	Company	
		2022	2021
		Rs.	Rs.
Sinolanka Hotels & Spa (Pvt) Ltd	100%	19,999,999,995	19,999,999,995
Helanco Hotels & Spa (Pvt) Ltd	100%	500,000,000	500,000,000
Nilyan Hotels & Spa (Pvt) Ltd	100%	10	10
		20,500,000,005	20,500,000,005
Provision for impairment		(10)	(10)
		20,499,999,995	20,499,999,995

The Board of Directors of the Nilyan Hotels & Spa (Pvt) Ltd have been decided to strike off the name of the company from the register maintained at the Department of Registrar General of Companies since the company will not proceeding with business activities. Accordingly, provision has been made as fall in value of the investment of Rs. 10/- under Nilyan Hotels & Spa (Pvt) Ltd in the year 2017.

<i>As at 31st December,</i>	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
14 <u>DEFERRED TAX ASSET</u>				
As at the beginning of the year	206,498	1,562,067	206,498	1,562,067
Origination and reversal of temporary difference	1,827,168	(1,355,569)	1,827,168	(1,355,569)
Balance at the end of the year	2,033,666	206,498	2,033,666	206,498



CANWILL HOLDINGS (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

14.1 Movement in deferred tax balances

Group / Company

Deferred tax assets and liabilities are attributable to the followings;

	Net balance as at 1 st January 2022	Recognized in profit or loss	Recognized in OCI	Net Balance at 31 st December 2022	Deferred Tax Asset	Deferred Tax Liability
Property, plant and equipment	-	-	-	-	-	-
Employee benefits	120,143	50,986	-	171,130	171,130	-
Carry forward tax losses	-	1,824,774	-	1,824,774	1,824,774	-
Unused tax credit	86,355	(48,593)	-	37,763	-	-
	<u>206,498</u>	<u>1,827,168</u>	<u>-</u>	<u>2,033,667</u>	<u>1,995,904</u>	<u>-</u>

	Net balance as at 1st January 2021	Recognized in profit or loss	Recognized in OCI	Net Balance at 31st December 2021	Deferred Tax Asset	Deferred Tax Liability
Property, plant and equipment	-	-	-	-	-	-
Employee benefits	126,017	(5,873)	-	120,143	120,143	-
Carry forward tax losses	1,349,696	(1,349,696)	-	-	(1,349,696)	-
Unused tax credit	86,355	-	-	86,355	-	-
	<u>1,562,067</u>	<u>(1,355,569)</u>	<u>-</u>	<u>206,499</u>	<u>(1,229,552)</u>	<u>-</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when the deferred income taxes relate to the same fiscal authority.



CANWILL HOLDINGS (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

14 DEFERRED TAX ASSET (contd..)

14.1 Deferred tax

Sinolanka Hotels and Spa (Pvt) Ltd

Deferred Tax has not been provided for temporary differences as the tax impact and reversals are expected to take place within the tax exemption period. There will be no tax implications that arise after the expiration of the tax exemption period for such assets.

Helanco Hotels and Spa (Pvt) Ltd

A deferred tax asset has not been recognised since the company does not have any asset entitle for income tax.

	Group		Company	
	2022	2021	2022	2021
15 TRADE AND OTHER RECEIVABLES				
Other receivables (Note 15.1)	18,363,710	30,061,477	1,852,547	5,047,027
	<u>18,363,710</u>	<u>30,061,477</u>	<u>1,852,547</u>	<u>5,047,027</u>

15.1 Prepayments, advances and other receivables

Advances	2,226,044	1,741,649	2,190,383	1,741,649
Prepaid insurance	5,523,678	17,390,685	75,433	3,618,878
Refundable deposits	9,362,770	9,362,770	-	-
Prepaid ground rent for Urban	57,142	57,142	-	-
Receivable from contractors	574,969	574,969	-	-
Notional tax and WHT	672,376	906,313	125,876	359,814
Other sundry receivables	705,133	786,350	219,256	85,064
	<u>19,122,112</u>	<u>30,819,879</u>	<u>2,610,949</u>	<u>5,805,406</u>
Less: Provision for impairment of	<u>(758,402)</u>	<u>(758,402)</u>	<u>(758,402)</u>	<u>(758,402)</u>
	<u>18,363,710</u>	<u>30,061,477</u>	<u>1,852,547</u>	<u>5,047,004</u>
Other Payable	<u>18,363,710</u>	<u>30,061,477</u>	<u>1,852,547</u>	<u>5,047,027</u>

16 AMOUNT DUE FROM RELATED COMPANIES

Sinolanka Hotels & Spa (Pvt) Ltd	-	-	355,879,858	355,898,495
Sri Lanka Insurance Corporation Ltd	223,735	223,735	223,735	223,735
Litro Gas Lanka Limited	2,222,000	2,222,000	-	-
Helanco Hotels & Spas (Pvt) Ltd	-	-	869,839	673,083
Canowin Hotels & Spa (Pvt) ltd	-	341,320	-	341,320
	<u>2,445,735</u>	<u>2,787,055</u>	<u>356,973,432</u>	<u>357,136,633</u>



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<i>As at</i>	Group		Company	
	2022	2021	2022	2021
17 CASH AND CASH EQUIVALENTS				
Components of cash and cash equivalents comprise the following:				
Favourable cash and cash equivalents				
Cash in hand	200,000	157,337	-	-
Cash at bank	99,368,895	93,351,313	19,692,118	23,652,883
Investment in Government				
Securities - Repo & other short-term investments	18,105,146	733,577,772		
	<u>117,674,041</u>	<u>827,086,422</u>	<u>19,692,118</u>	<u>23,652,883</u>

18 STATED CAPITAL

Issued & fully paid number of shares

2,320,588,238 ordinary shares

20,500,000,035 20,500,000,035

Rights, Preference and Restrictions of Classes of Capital

The holders of ordinary shares are entitled to receive dividend from time to time and are entitled to one vote per share at meetings of the company.

The Company recommenced after a work stoppage with anticipation of SLIC funding of Rs 6Bn to Canwill Holdings (Pvt) Ltd, the project commenced as mandated by the directive from the Cabinet of ministers on 10th July 2020 in response to the Cabinet memorandum ref: MFE/ERD/38/CM/2020/140 dated 1st July 2020. However further Rs 4 Bn is still pending receipt as of reporting date.

The 2nd tranche Rs 2 Bn was expected from SLIC by issuing 235,294,117 ordinary shares at LKR 8.50 per share on 10th June 2021 acting under the Section 31(1) of the Companies Act No 7 of 2007 pursuant to an unanimous share holder agreement signed and agreed by all shareholders specifically to issue shares in favor of SLIC for which no consideration has been received till date from SLIC.

Now, that SLIC has disputed this share issue, A Board resolution tabled by Canwill Holdings (Pvt) Ltd and a unanimous shareholder resolution is in progress to cancel this share issue and update records of Canwill Holdings (Pvt) Ltd stated capital at the Registrar of Companies to amend the records therein. As of reporting date the matter is still pending finalization within the shareholders where EPF has not consented and pending regulatory clearance as such this share issue valued at Rs 2 Bn is not accounted in the stated capital of the company balance sheet. However the stated capital recorded at the Registrar of company is inclusive of this share issue, and is pending amendments accordingly for adjustments subject to obtaining all regulatory clearance by the Board of Directors of Canwill Holdings (Pvt) Ltd. And obtaining unanimous agreement of all shareholders.

From the shareholders of Canwill Holdings (Pvt) Ltd, 3 shareholders including the Golden share holder have given their consent by signing the unanimous shareholder resolution to reverse the ordinary share issued on 10th June 2021, however, as of reporting date EPF has not consented and did not sign the shareholder resolution and the matter on shares issued on 10th June 2021 reversal /cancellation is still open and pending finalization. The 31st December 2022 Accounts are presented subject to these provisions and disclosures and without unanimous agreement by the shareholders for the reversal of the ordinary share issue of Canwill Holdings (Pvt) Ltd

Shareholders

	2022		2021	
	No of Shares	Percentage	No of Shares	Percentage
Srilanka Insurance Corporations Ltd	1,085,294,117	52.05%	1,085,294,117	52.05%
Litro Gas Lanka Limited	500,000,000	23.98%	500,000,000	23.98%
Employees Provident Fund	500,000,000	23.98%	500,000,000	23.98%
Secretary to the Treasury	4	0.00%	4	0.00%
	<u>2,085,294,121</u>	<u>100.00%</u>	<u>2,085,294,121</u>	<u>100.00%</u>



19 RETIREMENT BENEFIT OBLIGATIONS

19.1 Description of the post employment defined benefit plan

Company's net obligation in respect of defined benefit liability is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

	Group		Company	
	2022	2021	2022	2021
19.2 Movement in Defined Benefit Liability				
Balance at the beginning of the year	3,820,368	4,225,956	500,598	525,069
<i>Included in profit or loss</i>				
Current service cost	335,723	644,899	21,114	23,082
Interest for the year	401,139	253,558	22,772	(661,995)
<i>Included in Other Comprehensive Income</i>				
Actuarial (gains) / Loss	889,027	(864,045)	52,949	614,442
Payments made during the year	(1,495,000)	(440,000)	(27,000)	-
Balance at the end of the year	<u>3,951,257</u>	<u>3,820,368</u>	<u>570,433</u>	<u>500,598</u>

The provision for retirement benefits obligations for the year is based on the actuarial valuation carried out by professionally qualified actuaries, Messrs. Actuarial & Management Consultants (Pvt) Ltd., as at 31st December 2022. The actuarial present value of the promised retirement benefits as at 31st December 2022 amounted to Rs. 3,951,257 /- The liability is not externally funded.

19.3 Actuarial assumptions	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
(i) Rate of discount	18.0%	11%	18%	11%
(ii) Salary Increment Rate	6%	1%	6%	1%
(iii) Staff Turnover Rate	36.0%	9%	36.0%	9%
(iv) Retirement Age	60 Years	57 years	60 Years	57 years



19 RETIREMENT BENEFIT OBLIGATIONS (contd..)

19.1 Sensitivity Analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Variable changed (while all other assumptions remain unchanged)

<i>As at</i>	Present value of defined benefit obligation		Company	
	Group			
	2022	2021	2022	2021
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
Increase of 1% in discount rate	3,872,978	3,681,635	559,131	482,419
Decrease of 1% in discount rate	3,896,107	3,972,134	582,260	520,484
Increase of 1% in salary escalation rate	3,900,199	4,005,526	586,352	524,860
Decrease of 1% in salary escalation rate	3,868,881	3,649,230	555,034	478,173

20 TRADE AND OTHER PAYABLES

Professional fees payable	272,545.00	2,647,224	205,000	2,577,179
Salaries and Allowances Payable	966,786	1,167,201	966,786	1,167,201
20.1 Interna Contract Spa (Italy)	3,520,185,077	2,057,613,082		
Other payables	90,151,332	44,982,722	90,095	(73,250)
	<u>3,611,575,739</u>	<u>2,106,410,229</u>	<u>1,261,881</u>	<u>3,671,130</u>
	<u>3,611,575,739</u>	<u>2,106,410,229</u>	<u>1,261,881</u>	<u>3,671,130</u>

20.1 Interna Contract Spa (Italy)

After a tender exercise and a period of negotiations, Interna Contract Spa (now herein referred to as Interna) was awarded by Sinolanka Hotels & Spa (Pvt) Ltd (now herein referred to as Sinolanka) the contract to provide Interior Fit Out and Furnishing Works for the Grand Hyatt Colombo Project. Subsequently, Sinolanka has terminated the contract of Interna on several grounds. Accordingly, Interna referred the disputes with Sinolanka to the International Chamber of Commerce ("ICC") for arbitration.

Arbitration award was in favor of Interna and Sinolanka was ordered to pay EURO 7,432,062.79 as damages with 2% simple interest per annum from 14th August 2015 to the date of full payment, USD 483,500.00 with 2% simple interest per annum from the date of award to the date of full payment as costs of arbitration fixed by the ICC court and EURO 516,597.16 with 2% simple interest per annum from the date of award to the date of full payment as additional costs of arbitration.

Sinolanka applied to the Singapore High Court under section 10 of the International Arbitration Act for a ruling on the jurisdiction of an arbitral tribunal, and alternatively under Article 34 of the UNCITRAL Model Law for an order setting aside the final award on the basis that it lacked jurisdiction to hear the dispute. The High Court dismissed the application made by Sinolanka. Subsequently, Interna has filed a case before the Commercial High Court of Sri Lanka to enforce the arbitration award made in Singapore. The Commercial High Court judgment was in favor of Interna.

However, Sinolanka has applied for leave to appeal at the Supreme Court of Sri Lanka on 18th February 2020 against the judgment of the High Court of Sri Lanka and the case is ongoing as at the reporting date. Provision of Rs. 1,848,102,857/- had been recognized in the financial year end 31st December 2019 and no expenditure has been recognized in the financial year end 31st December 2021 since the matter has been open up to negotiate for amicable full and final settlement for Euro 7.2 million which is favor to the company as at the reporting date. Next hearing has been fixed for 23rd March 2022. Recorded liability has been re-assessed with exchange fluctuations as of 31st December 2022.



21 SHORT-TERM LOANS **Group** **2022** **2021**

Bridging Loan Facility USD 12 million - Peoples Bank

USD Bridging Loan -Disbursed	4,357,267,500	2,355,052,500
Total Interest	622,334,970	158,000,847
Loan & Interest Revaluation	-	-
Total Short term Loan	4,979,602,470	2,513,053,347

Sinolanka Hotels & Spa (Pvt) Ltd, the owner of Grand Hyatt Colombo project, is continuously experiencing a short-fall in liquidity from January 2018. This is mainly attributed to the delay in the proposed loan program and the execution of the project divestiture program approved by the Cabinet of Ministers in August 2017.

Accordingly, a short term funding arrangement of Rs. 400 million was made by Helanco Hotels & Spa (Pvt) Ltd in January 2018 to Sinolanka Hotels & Spa (Pvt) Ltd. This was allocated from idling funds within the company at an interest rate of 8.79% per annum. The interest charged from the year end 31st December 2020 at a rate of 4.75% per annum.

Further to the above, a short term loan facility of USD 12 million was approved to part finance the Construction of Grand Hyatt Colombo Project that was subject to the Pending Divestiture and out of which USD 8.25 Million has been disbursed in the year 2019. The interest rate applicable for this loan facility was 6 months LIBOR+5%. The initial tenure of the facility was one year from the first draw down and it was due on 18th April 2020. However, since the company was not in a position to settle the loan on or before the due date, extension of the tenure of the facility was done for further period up to 25th January 2023. The interest rate applicable for the extended tenure of the facility are 3 months LIBOR +7% per annum from 18th June 2022 subject to quarterly review, 3 months LIBOR +9% per annum for the amount in arrears during the overdue period in case default and 12% floor rate per annum at the regular repayment of the loan.

As a security for the said loan facility, a Demand Guarantee has been given by Sri Lanka Insurance Corporation for the full amount of the facility and a counter guarantee has been issued by the Government of Sri Lanka through the General Treasury.

22 AMOUNT DUE TO RELATED COMPANIES

	Group		Company	
	2022	2021	2022	2021
Sri Lanka Insurance Corporation	15,225,356	1,009,359	1,441,531	7,209
Litro Gas Lanka Ltd	13,754,241	13,754,241	13,754,241	13,754,241
Nilyan Hotels & Spa (Pvt) Ltd	10	10	10	10
	28,979,607	14,763,610	15,195,782	13,761,460



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23 RELATED PARTY DISCLOSURES

23.1 Identity of Related Parties

The company has a related party relationship with its parent Company, subsidiaries of its immediate parent, subsidiaries of its ultimate parents and with its key management personnel.

Name of the company	Relationship	Nature of transaction	Transaction Amount Rs.	Outstanding Amount as at 31.12.2022	Outstanding Amount as at 31.12.2021
GROUP					
Sri Lanka Insurance Corporation Ltd.	Ultimate parent company	Foreign Currency Transactions	(813,400)		
		Insurance Premium	(18,314,451)		
		Settlements	4,911,854	(15,001,621)	(785,624)
		Balance		(11,532,241)	(11,532,241)
Litro Gas Lanka Limited	Group Company	Advance payemnt for construction Grand Hyatt Hotel Project	6,041,572	6,976,597	935025
Canowin Hotels & Spa (Pvt) Ltd	Group Company	Reimbursement Settlement	64,800 (406,120)	-	341,320.00
COMPANY					
Sri Lanka Insurance Corporation Ltd.	Ultimate parent company	Insurance Premium	(5,603,133)		
		Refund & Settlements	4,168,811	(1,217,797)	216,526
Sinolanka Hotels & Spa (Pvt) Ltd	Subsidiary	Staff related cost	(6,608,514)		
		Insurance service cost	6,631,240	355,879,864	355,898,500
		Others Expenses	(41,363)		
Litro Gas Lanka Limited	Group Company			(13,754,241)	(13,754,241)
Helanco Hotels & Spas (Pvt) Ltd	Subsidiary	Allocation of Staff Cost	869,839		
		Settlement	(673,083)	869,839	673,083
Canowin Hotels & Spa (Pvt) Ltd	Group Company	Reimbursement	64,800	-	341,320
		Settlement	(406,120)		

23.2 Transactions with key management personnel

Key management personnel comprise of directors of the company.

(i) Loans to directors

No loans have been given to directors of the company.

(ii) Key management personnel compensation

The details of compensation to key management personnel are as follows,

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Director Allowances	13,660,930	13,068,600	1,065,547	1,045,488
Attendance Fees	1,050,000	1,475,000	625,000	875,000
	<u>14,710,930</u>	<u>14,543,600</u>	<u>1,690,547</u>	<u>1,920,488</u>

For the year ended 31st December,



24 CAPITAL EXPENDITURE COMMITMENTS

The following commitments for capital expenditure approved by the Directors as at 31st December 2022 have not been provided in the financial statements of the subsidiaries, Sinolanka Hotels & Spa (Pvt) Ltd. and Helanco Hotels & Spa (Pvt) Ltd.

	2022 Rs.	2021 Rs.
Approximate amount contracted for but not incurred	30,771,790,423	14,285,779,496

25 CONTINGENT LIABILITIES

There were no significant contingent liabilities other than what is disclosed below, which require adjustments to or disclosure in the financial statements.

Mr. D R P Abeyasinghe, who was the Managing Director of Canwill Holdings (Pvt) Ltd, ceased from his post on 23rd July 2019 as per the decision of the Board of Directors subject to the concurrence given by the Ministry of Finance. Further, he was also removed from the office of Director of Canwill Holdings (Pvt) Ltd in accordance with section 206 of the companies Act No. 7 of 2007, read with Article 25 (4) of the Articles of association of the company at the Extra ordinary General Meeting held on 06th August 2019.

Accordingly, Mr. Abeyasinghe has filed a case at the Labour Tribunal (case No LT2/907/2019) against the company on the grounds that his termination was unlawful. Furthermore, other complaints have also been made to the Department of Labour and to the Employees Trust Fund Board. The aforesaid case No LT2/907/2019 was verdict in favor of the applicant as per the decision of the Hon. President of the Labour Tribunal dated 20th January 2021 and the company was ordered to deposit Rs. 1,600,000/- on Assistant Commissioner of Labor, Colombo East enabling the aforesaid applicant to be compensated. Subsequently, having legal counsel with regard to the case, the management appealed to the Provincial High Court of the Western Province, Colombo dated 19th February 2021 . On 22nd June 2022 The high Court allowing the appeal of Respondent-Appellant (Canwill) and dismissed the decision dated 20th January 2021 of the Chairman of Labour Tribunal at Col. 08 . A notice received from the Supreme Court on 4th August 2022 against the judgment of the High Court WP holden in Colombo on 22nd June 2022 management nominated and appointed Ms. Marian Chambers through Mr. Ruwantha Cooray for this matter and filed the proxy forms & Cavite on 17th August 2022. The case is scheduled to hear on 3rd February 2023.

Further Mr. D R P Abeyasinghe has filled a complaint dated 15th August 2019 demanding Rs. 8,064,999.75 for statutory benefits of Employee Provident Fund (EPF) in labour department. The matter was represented with company lawyers and the commissioner of labour department has requested for written submission to be presented on January 2022 and that is not accept the request and Notice received stating to settle the amount on or before 8th March 2022. Company submitted written appeal against the notice on 7th March 2022.

Sinolanka Hotels & Spa (Pvt) Ltd

The Greenery Company (Pvt) Ltd, who was the Landscape (Softscape) works and maintenance contractor of the Grand Hyatt Project has breached their contractual obligations in execution of the said contract. Accordingly, SHSL intended to demand for the full value of the performance bond Rs. 3,629,274/74 that they have submitted. However, The Greenery Company (Pvt) Ltd has instituted a case to obtain an Enjoining Order and Interim Injunction against SHSL to prevent encashing the Performance Bond. Initially the court had granted the enjoining order prayed by the Greenery Company (Pvt) Ltd. The Learned Counsel for Defendant raised objection to the said enjoining order since the validity of the said bond was about to expire on 19.07.2019. Hence, the Greenery Company agreed to extend the period by executing a similar Performance Bond for a period of 3 months from 22.07.2019. After tendering written submissions by both parties, the Court made an order refusing the interim injunction prayed by the Greenery Company (Pvt) Ltd and claimant has withdrawn the matter from the court on 20th October 2022.



26 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There were no other material events that occurred after the reporting date other than disclosed in the financial statements.

27 FINANCIAL RISK MANAGEMENT

27.1 Financial Risk Management

The objective of the financial risk management strategy of the Company is to minimize the impact of risks that arise due to the use of financial instruments. The risk management framework enables us to understand material risks that we currently face as well as emerging risks. This framework ensures that risks are effectively identified and assessed and that appropriate controls and responses are in place.

28.1.1 Market Risk

'Market risk' is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

28.1.2 Currency Risk

The following significant exchange rates were applied during the year:

	Average Rate		Reporting Date Spot Rate	
	2022	2021	2022	2021
USD	324.55	198.88	363.11	200.43
GBP	396.89	273.51	437.35	270.60
EURO	339.04	235.10	386.93	226.86
SGD	234.86	147.97	270.05	148.32

The carrying amount of financial liabilities represents the maximum currency risk exposure. The maximum exposure to currency risk at the reporting date was;

28.1.3 Interest Rate Risk

Interest rate risk is the risk to the Company's earnings and economic value of equity ("EVE") arising from adverse movements in interest rates.

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments were:

<i>As at 31st December,</i>	2022	2021
	<u>Rs.</u>	<u>Rs.</u>
<u>Fixed rate instruments</u>		
Financial assets		
Investment in government securities - repo	18,105,146	733,577,772
	18,105,146	733,577,772



28.1.4 Credit Risk

Credit risk¹ is the risk that the counterparty will failing to meet its obligations to a financial instrument causing a financial loss for the other party, leading towards negative effect towards Company profitability. The company is exposed to credit risk from its financing activities.

The carrying amount of financial assets represents the maximum credit exposure and the credit risk at the reporting date was;

	Group		Company	
<i>As at,</i>	2022	2021	2022	2021
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
Other receivables	18,363,710	30,061,479	1,852,547	5,047,027
Amounts due from related parties	2,445,735	2,787,055	356,973,432	357,136,633

The following measures and actions are usually undertaken in order to manage credit risk of the Company.

* Closely monitor the other receivables & advance payments regularly and develop procedures to collect the receivables and settle the advance payments

* Obtain a guarantee on advance payments and Recover the advance payments from the outstanding balances of Construction Work in Progress Payables.

28.1.5 Liquidity Risk

Liquidity risk is the risk that the Company will encounter in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
As of 31 December 2022					
Other payables	1,261,881	-	-	-	1,261,881
Amount due to related companies	15,195,782	-	-	-	15,195,782
As of 31 December 2021					
Other payables	3,671,130	-	-	-	3,671,130
Amount due to related companies	13,761,460	-	-	-	13,761,460

