

**SELENDIVA**  
**INVESTMENTS LIMITED**



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## CHAIRMAN'S REVIEW

***“Selendiva Investments Limited will open its doors to potential private investors to be part of a Private Public Partnership model. The objective of this initiative is to unlock the true value of State assets, to improve operational and financial efficiency, strong corporate governance, generate foreign exchange income and improve productivity and optimum utilization of the assets and transform to profitability with the objective of contributing positively to the national economy”***

I take great pleasure to place before you the Annual Report and the Audited Financial Statements of Selendiva Investments Limited for the period ending 31st December 2021. The Company was incorporated pursuant to a Cabinet Memorandum placed before the Ministers by the Ministry of Finance, Economy and Policy Development in March 2020 to request approval for the formation of a State Owned property development entity to vest the state owned prime hospitality assets namely Hotel Developers Lanka Ltd ( Hilton Colombo), Sino Lanka Resorts and Spa Ltd ( Grand Hyatt) and Hotels Colombo 1963 Ltd ( Grand Oriental Hotel) considered as underperforming and underutilized assets which require transformation through operational and capital restructure.

I must place on record that your company was well on track to achieving the intended objective of the business model considering the favorable investment climates and the fundamentals for the investors with the devaluation of the Sri Lanka Rupee. The ongoing Fundamental Rights petition filed against the company operations served as a major hurdle and set aside the poised execution plan during this year. The negative sentiment created by the litigations dampened the progress.

I am confident that your company will successfully overcome all the challenges being very resilient in these difficult periods of time and the positive intent having displayed a clear and transparent communication strategy to the public to build awareness of the business model and the intended objectives with the ultimate benefit to the economy.

### OPERATIONAL REVIEW

The company did not generate any revenue for the period ending 31st December 2021 since the intended consolidation process of the asset portfolio was not completed owing to the current ongoing Fundamental Rights Petition filed against the company, this led to the company incurring a loss of Rs 8.5 million for the period with substantial part of the cost covering the legal and professional expenses. I am confident your company will display steady recovery once the legal proceedings are successfully concluded, with marketing fees expected for the divestment of the asset portfolio. It must be hailed that your company has minimized the overhead expenses with shared services with limited staff allocation.

## KEY ACHIEVEMENT DURING THE YEAR

Despite the challenges brought about by the legal proceedings, the company maintained its momentum in executing its initial plans with the initiative to convince the shareholder of Hotels Colombo (1963) Ltd to complete the soft refurbishment of Grand Oriental Hotel which was in a dilapidated state. The true value and the unlocking of the heritage architecture has increased the value and have turnaround its performances. Selendiva Leisure Investment Ltd was incorporated on 20th June 2021 as the Hospitality and Leisure Holding SPV with the intention of consolidating the selected asset portfolio in the leisure and hospitality business with a view of listing in the Colombo Stock Exchange to obtain the true value of the assets. The transaction advisor was appointed to provide the expertise and advisory service to formulate the execution plan for the divestment effectively. The company also initiated and completed a comprehensive feasibility study through reputed international consultants to analyze and identify the true value of the asset portfolios provided for the restructure. The required infrastructure to prepare the assets for divestment process in order to successfully restructure capital was concluded within the given time lines. This also includes a comprehensive value engineering process concluded for the Grand Hyatt project to reduce the cost exposure for completion from Rs 60 billion to Rs 51 billion and to enhance the viability of the project thereby securing a minimum IRR of 12%. The company also pursued with a divestment strategy for the 3 hospitality assets, 1) Grand Hyatt, 2) Hilton Colombo, 3) Grand Oriental Hotel, by proceeding with calling for competitive bids via public advertisements to secure an investment partner to demonstrate good governance and transparency though unable to close out the transactions affected by the adverse market conditions impacting investor appetite for Sri Lanka.

## WAY FORWARD

We are eagerly waiting for further direction of the Government with regard to the investment policy framework to proceed with the intended divestment plan for each of the asset portfolios and to seek representing as the investment facilitator amidst the current restriction imposed through the legal proceedings. The company also intends to provide other technical professional services to bring about additional revenue to boost

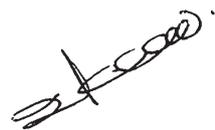
new income streams. The company will also pursue with comprehensive marketing plans on receiving direction to proceed with the divestment strategy.

## APPRECIATION

Amidst the challenges imposed by the legal proceedings on the company execution of its investment strategy framework, I am extremely proud of the determination and courage of the highly skilled and experienced management team who have carried the work with momentum to achieve progress to date.

I take this opportunity to thank the Board of Directors, and the Senior Management for their commitment and support to help us brave through the challenges. I also wish to thank all stakeholders including the Ministry of Finance, Ministry of Urban Development and Housing for their fullest cooperation to facilitate the execution plan despite all the challenges faced.

I am confident that we will overcome the challenges faced and be part of reviving the underperforming and underutilized state owned assets, which will play a pivotal role in reviving the national economy and take Sri Lanka to the growth rates which were forecasted prior to the current economic crisis.



**P.A.I. Sirinimal Perera**  
*Chairman*

## DIRECTORS PROFILES

### MR. P.A.I. SIRINIMAL PERERA

#### Chairman

Mr. Sirinimal Perera is the Secretary, Ministry of Urban Development and Housing, Coast Conservation, Waste Disposal, and Community Cleanliness. He is also an Executive Consultant to the Board of Directors of Noritake Lanka Porcelain (Pvt) Ltd., ("Noritake") from 2007 to date and the Chairman of Shore to Shore (Pvt) Ltd., a company engaged in producing of label weaving, box packaging, and garments in IPZ Katunayake. Mr. Perera has more than 30 years executive experience in financial management, accounting, internal auditing and general management including stints with M/s. R.K. Fryer & Co. Chartered Accountants and International Computers Ltd, United Kingdom as an audit Senior and Accountant respectively.

Mr. Perera functioned as the Chairman of Urban Development Authority (UDA) and its subsidiaries, Lanka Logistics & Technologies Co. Ltd., On'ally Co. Ltd., Unidep Company., Waters Edge Company Ltd., Lanka Salt Limited and Managing Director of Sri Lanka Fisheries Corporation. He also served as a Director in the Boards of Peoples Leasing Co. Ltd., Ocean View Co. Ltd., Lanka Ceramic Limited and several other companies. Further he has served for a short period in 2018 as the Chairman of Sri Lanka Tea Board and State Engineering Corporation.

Mr. Perera completed upto final levels of Association of Chartered and Certified Accountants (ACCA) (UK) and of Higher National Diploma in Business Studies at Luton College of Higher Technology in UK.

Mr. Perera was Conferred with the title "Best Chief Executive" for the best Employee in involvement Organization by the Sri Lanka Association of the advancement of Quality and productivity which functioning under the Ministry of Science Technology.

### MS. M.T.I. VISAKA AMARASEKERE

#### Director

Ms. Amarasekere counts over 15 years' of experience at the Government Treasury, Director of the Department of External Resources of the General Treasury of the Ministry of Finance, Economy and Policy Development.

She was appointed to the Board of Bank of Ceylon on 11th January 2020 as the Non-Executive Ex-Officio Director representing the Ministry of Finance, Economy and Policy Development.

She has represented the Government Treasury on the Boards of several key State-Owned Enterprises including the Ceylon Electricity Board, Ceylon Petroleum Corporation and People's Bank.

Ms. Amarasekere holds a Bachelor of Science (Hons) Degree in Economics and Management from the University of London, UK and Master of Arts in Development Economics from the Vanderbilt University, USA. She is a Member of the Chartered Institute of Management Accountants (CIMA) UK and is also a Chartered Public Finance Accountant.

### MR. P.A.S. ATHULA KUMARA

#### Director

Mr. Athula Kumara joined the Public Service in 1991 as an Audit Examiner in Auditor General's Department and joined the Department of Public Enterprises, Ministry of Finance in 2007. Currently he is the Director General in Department of Public Enterprises.

He has also been a Director/Board Member of Several Statutory Institutions including Colombo Commercial Fertilizer, Mantai Salt Ltd., Building Material Corporation, Ceylon Agro Industries Ltd., Lanka Hydrolic Ltd., Ceylon Ceramics Corporation.

He holds a B. Sc Management (Public Admin.) (Special) degree holder from the University of Sri Jayawardenapura and in 2015 obtained his Masters degree in Business Studies in University of Colombo. Mr. Athula Kumara is a Class 1 Officer of Sri Lanka Accounts' Services and a member of Chartered Public Accountant in the Institute of Chartered Accountants of Sri Lanka.

### MR. R.A. LAKMIN UDAYA KUMARA

#### Director

Mr. Udaya Kumara is a Director at the Department of Public Enterprises and has over 11 years of experience in the General Treasury where he has been actively involved in monitoring major State-Owned Enterprises.

He has served as a Board Member at various State-Owned Enterprises including Employees Trust Fund, Coconut Research Institute, Kurunegala Plantations Ltd, Sri Lanka Handicraft Board, and the Buddhasana Fund among many others.

Mr. Kumara has a Master's Degree in Financial Management, and Financial Economics. He has also completed a Capital Markets Program at George Washington University, the USA with an internship at the International Finance

Corporation as a short-term Consultant. Furthermore, he is an Associate Member of the Institute of Chartered Accountants of Sri Lanka and is a member of the Board of Management of the APFA, the Public Sector wing of The Institute of Chartered Accountants of Sri Lanka.

### MR. ROHAN FERNANDOPULLE

#### Director

Mr. Rohan Fernandopulle is at present the Chief Executive Officer of Waters Edge Ltd.- a MICE property with extensive F & B services under the purview of the Urban Development Authority.

Prior to his appointment at Waters Edge, Fernandopulle served as the General Manager Cinnamon Lakeside, Vice President F & B Initiatives Cinnamon Hotels & resorts, Chief Operating Officer Galle Face Hotels Group, General Manager Waters Edge, and Executive Chef, Hilton Colombo.

Mr. Fernandopulle is a renowned and illustrious chef with over 40 years of experience, both local and international under his belt. He has been successful in bringing Sri Lankan cuisine under the international spotlight by competing in various global Culinary Competitions where he won several prestigious awards for his culinary expertise. Mr. Fernandopulle was also the first Sri Lankan to become Executive Chef at the Hilton Colombo.

He is also a proud recipient of the Hotelier of the year in Sri Lanka, awarded by the Hotel Supplier Magazine in 2018.

### MR. ROHANA DE SILVA

#### Director (Appointed with effect from 25.03.2022)

Mr. Rohana De Silva joined Public Service in 2004 as an Assistant Secretary in the Ministry of Labour. From 2006 to 2014 he was Assistant Secretary to the Prime Minister's Office and 2014 to 2021 Senior Assistant Secretary, Ministry of Health. Currently he is holding the position of Director, External Resources Department of the Ministry of Finance.

He holds a Master of Arts Degree in Economics from University of Kelaniya and Bachelor of Education in Natural Science Degree from The Open University of Sri Lanka.

He has a Certificate in Public Administration and Human Resources Management, from Sri Lanka Institute of Development Administration.

# CORPORATE GOVERNANCE

The Board of Directors of Selendiva Investments Limited place a high degree of importance in adopting sound Corporate Governance practices and are committed to highest standards corporate governance within the organization guided by the Code of Best Practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Guidelines on Corporate Governance for State Owned Enterprises, published by the Department of Public Enterprises of the General Treasury that was circulated by the Ministry of Finance by a Circular dated 16th November 2021.

## The Board of Directors

The Board of Directors of company provides the leadership being the top most body carrying the responsibility of formulating corporate strategic goals, values and standards and monitoring the performance and reporting to ensure the company maintain high level of corporate governance and transparency in reporting to meet the obligations and the responsibility towards the stakeholders.

## The Composition of the Board

The Board comprised of 5 Directors as at the end of the year under review constituting Non-Executive with a balance of skills and experience which is appropriate for the business carried on by the Company as morefully set out below.

**Mr. P.A.I. Sirinimal Perera - Independent Non Executive**

**Ms. M T I Visaka Amarasekera - Non Independent Non Executive**

**Mr. P A S Athula Kumara - Non Independent Non Executive**

**Mr. R A Lakmin Udaya Kumara - Non Independent Non Executive**

**Mr. Rohan Fernandopulle - Independent Non Executive**

## Appointment of Directors

As per the Articles of Association of the Company so long as the Secretary to the Treasury holds the majority of the shares, the Secretary to the Treasury shall have the right to nominate and appoint the majority of the Directors to take office.

The rights conferred on the Secretary to the Treasury are deemed to include the right to

remove any person so appointed and to appoint another in place of any person so removed or in place of any person previously appointed who for any reason ceases to be a Director. A Director so nominated by the Secretary to the Treasury is not subject to retirement by rotation.

Directors who are over 70 years of age are subject to the provisions of Sections 210 and 211 of the Companies Act No. 7 of 2007 and will hold office only until the next Annual General Meeting after they reach the age of 70 years or were re-appointed as per Section 211 of the Companies Act, unless they are re-appointed at such meetings specially declaring that the age limit of 70 years referred to in Section 210 of the Companies Act shall not apply to such Director.

The Chairman, Mr P.A.I. Sirinimal Perera who is over 70 years of age has been re-appointed in accordance with those provisions.

During the year under review there were no changes in the Directorate of the Company.

However, since the reporting date upto the date of this Report, the following addition occurred in the Directorate of the Company.

- ◆ Mr. Rohana De Silva was appointed a Director by the Secretary to the Treasury with effect from 25th March 2022.

## Board Meetings

The Progress of the Company is regularly considered and reviewed at Board Meetings at which a standard agenda is discussed together with any other matters that require the attention of the Board. The Board meets at least five times every year and wherever necessary Special Meetings of the Board are held.

During the year ended 31st December 2021 five meetings of the Board were held. The attendance at the meetings was as follows.

Names of Director	Date of appointment as a Director	No of Meetings attended during 2021
Mr. P.A.I. Sirinimal Perera	03/07/2020	5/5
Ms. M.T.I. Visaka Amarasekera	03/07/2020	5/5
Mr. P.A.S. Athula Kumara	03/07/2020	5/5
Mr. R.A. Lakmin Udaya Kumara	07/07/2020	4/5
Mr. Rohan Fernandopulle	07/07/2020	5/5

The Directors are provided with Monthly Progress Reports and Statutory Compliance Statements and all matters of importance are discussed and decisions are taken at the Board Meetings. Further, Board Papers are submitted in advance on issues which require specific approval of the Board. Minutes of all Meetings are properly recorded and maintained by the Company Secretaries.

## The Chairman

The Chairman of the Board of Directors is Mr P.A.I. Sirinimal Perera. He counts over 30 years of experience in the fields of financial management, accounting, internal auditing and general management and as a Director of many companies both private and public. He guides the Board at Meetings and ensures that all Directors contribute to the performance of the Company in line with their capabilities.

## The Management

The day to day operations of the Company are entrusted to the Corporate and Senior Management headed by the Chief Executive Officer. They ensure that risks and opportunities are identified and steps are taken to achieve targets within defined time frames and budgets.

## CORPORATE GOVERNANCE

### Internal Controls and Risk Management

The Board has appointed a Chief Internal Auditor to introduced adequate internal controls and risk management systems to safeguard the shareholder investments and the Company's assets. The company with this intention has prepared the Audit Charter and plan for the period 2021. The Board is fully aware that internal controls have inherent limitations and do not provide absolute assurance against fraud and error.

### Audit Committee

The members of the Audit Committee are as follows:-

**Mr. P.A.S. Athula Kumara - Chairman**  
(*Non Independent Non Executive*)

**Mr. R.A. Lakmin Udaya Kumara - Member**  
(*Non Independent Non Executive*)

**Mr. Rohan Fernandopulle - Member**  
(*Independent Non Executive*)

The Audit Committee scrutinizes and analyzes Reports on the Internal Controls of the Hotel Operations Internal Audit Reports which is prepared by Selendiva Investments Limited in terms of the Service Agreement entered into between Selendiva Investments Limited and Hotel Developers (Lanka) Ltd to carry out the responsibility of internal audits and reporting to the Audit Committee of the company. The Audit Committee makes recommendations to the Board on necessary/appropriate actions based on such reports and recommending improvements to the internal control systems of the Hotel / Company.

The Audit Committee also reviews the Annual Financial Statements before releasing the same for Audit, which includes review of Interim Financial Statements when the Company was a listed company.

### Remuneration Committee

The current composition of the Remuneration Committee with effect from January 2021 is as follows:

#### Names of the Directors:

**Ms. M.T.I. Visaka Amarasekera - Chairperson**  
(*Non Independent Non Executive*)

**Mr. P.A.I. Sirinimal Perera - Member**  
(*Independent Non Executive*)

**Mr. P.A.S. Athula Kumara - Member ( Non Independent Non Executive)**

The Remuneration Committee makes recommendations on remuneration related matters to the Board.

### Company Secretaries

Company Secretaries provide advice to the Board on matters relating to the Companies Act in order to ensure that the Best Governance practices are adopted by the Board and its Committees.

Currently, P W Corporate Secretarial (Pvt) Ltd, who are qualified Secretaries under the Companies Act are the Company Secretaries.

### Compliance with Legal Requirements

All Directors have access to the Financial and Management Information of the Company. The Directors make every endeavor to ensure that the Company complies with Laws and Regulations and to exercise due diligence in managing the affairs of the Company. Additionally, checks and controls are in place to ensure that the policies of the Board are complied with.

### Financial Disclosures and Transparency

Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards and the Companies Act.

In terms of the 19th & 20th Amendments to the Constitution, read together with Article 154 of the Constitution the Auditor General continues to be the Auditor of the Company.

Auditors are allowed to act independently and without intervention from the Management or the Board of the Company to express an opinion on the Financial Statements of the Company. All the required information is provided for examination to the Auditors.

### Ethical Standards

The Company requires that all its employees maintain the highest standards of integrity in the performance of their duties and dealings on behalf of the Company.

The Company focuses on the training and career development of employees for the creation of an empowered and training committed group

of employees, who will drive the Company to high levels of achievement in keeping with its mission, vision, goals and values.

### Statutory Payments

All statutory payments due to the Government, which have fallen due, have been made or where relevant provided for. Retirement gratuities have been provided for in accordance with Sri Lanka Accounting Standards No.16, Employees Benefits (Revised 2006)

### Accountability and Disclosures

In the year ended 31st December 2021 the members of the Board of Directors have reviewed in detail the Annual Financial Statements in order to satisfy themselves that they present a true and fair view of the Company's affairs and these practices have been further strengthened as per the Code of Best Practice on Corporate Governance and the Guidelines on Corporate Governance for State Owned Enterprises.

### Obtaining Independent Professional Advice

The Board in discharging its duties seeks independent professional advice from external parties when necessary, at the Company's expense.

### By Order of the Board SELENDIVA INVESTMENTS LTD



**P W Corporate Secretarial (Pvt) Ltd**  
*Director / Secretaries*

30th September 2022

# RISK MANAGEMENT

Being in the forefront of a highly competitive industry that resonates with the demand of attracting and retaining diversified markets amidst numerous challenges, Company considers Risk Management as an integrated process in its pursuit in delivering long term stakeholder value. In its' current business environment where change has become the norm rather than the exception, the Company has consistently recognised the pivotal role it plays in balancing strategic planning with business execution and compliance. This facilitates informed decision-making and a conscious evaluation of opportunities and their inherent risks as such, enabling the Company to protect or enhance key assets appropriately.

Our Risk Management platform is geared in identifying the types of risk exposure within the company, measuring those potential risks and developing strategies to mitigate and control the same. Risk Management is an essential element of our corporate governance structure and strategic development process and the Company has successfully and strategically structured appropriate systems, policies and procedures in all areas of operations with periodical reviews to ensure adequacy and adherence.

Our risk management framework constantly reflects the changing dynamics in the operating environment and are woven into in line with our policy frameworks and international best practices where applicable.

The Management oversees and retain ultimate responsibility for the risk management framework adopted. The Management Team is responsible for the overall implementation of the Board approved risk management policy.

## Risk Management Framework

### Commercial & Economic Risks

- ◆ The current market demand for share acquisition in the hospitality industry has improved drastically with progressive growth in the share price of hospitality business in the CSE . Delays in concluding the divestment may reduce the attraction of the investors and seek other alternative options in the market and loose out the opportunity for attractive pricing.
- ◆ The company should take maximum potential benefit from the Rupee devaluation to attract investors to

facilitate and expedite the divestment of the state owned hospitality assets.

- ◆ The available opportunities for foreign investors in other regional countries if decisions are delayed.
- ◆ Clear understanding with the government policies will be important for the company to market the assets to the investors and obtain investor confidence and create the right climate for investing in Sri Lanka.
- ◆ Risk of losing the opportunity to improve the foreign exchange income if the directions are not provided in a timely manner.
- ◆ Timely restructure of the state-owned portfolio to improve the productivity growth and facilitate economic growth rate.

### Financial Risk

- ◆ Cost incurred to date by the shareholder to maintain the company operations in the absence of a direction.
- ◆ Loosing the opportunity of maximizing the income stream from sale of the government assets by the company.
- ◆ Absence of a ROI for the company as the main objective of raising investment for the portfolio restructure cannot proceed further.

### Legal Risk

Legal risk is the possibility that legal action will be taken because of an individual's or corporation's actions, inaction, products, services, or other events. Corporations generally employ some type of litigation risk analysis and management to identify key areas where the litigation risk is high, and thereby take appropriate measures to limit or eliminate those risks. They vary wildly from jurisdiction to jurisdiction.

- ◆ Legal risk is the risk an individual or company will face legal action.
- ◆ This legal action could be the result of the individual or company's services, actions, or another event.
- ◆ Assessing legal risk involves looking at possible resolutions (e.g., settlements) and the costs of a legal defense.

- ◆ Legal action can come from a Company's Investment entities other businesses, or even shareholders.

The Company has appointed Legal Consultants and their advice is sought with regard to reviewing the any proposed Investment Strategy and Policy framework and the applicable laws and regulations, and providing a Legal Opinion concerning the way forward and advising on proposals with regard to any amendments which may be required to any relevant laws to facilitate the implementation of the proposed investment strategy.

# MANAGEMENT DISCUSSION & ANALYSIS

## About Us

Selendiva Investment Limited is an Investment and Property Development Company incorporated in July 2020 in line with the cabinet decision in March 2020 to vest under-performing and underutilized state-owned assets to a single holding company.

The prime objective of the company will be to restructure these assets through appropriate capital structure centered on Public-Private Partnership (PPP) to maximize the asset potential and to transform them to productive and profitable units.

## Vision, Mission, Goals and Objectives

### Vision

To be an active real estate portfolio investor with global recognition.

### Mission

- ◆ Adding value to our portfolio by optimizing asset utilization.
- ◆ Achieve our long-term financial goal through appropriate and effective investment strategies, whilst adhering to the government's core policies.
- ◆ Positive contribution to country's socio-economic development.

### Goals and Objectives

- ◆ To transform the underperforming and underutilized state-owned assets to profitable and productive entities centered on PPP model.
- ◆ To promote foreign investment to enhance foreign exchange inflows and sustainable economic growth.
- ◆ To create socio-economic benefit through employment opportunity, productivity and knowledge sharing.
- ◆ To create the right investor climate and confidence.

## Progress 2022

The preparation of the feasibility report for the asset portfolio development was awarded to Acuity Partners (Pvt) Limited on 30th April 2021 as the first phase of the advisory services. Acuity Partners (Pvt) Limited were requested to determine the business value of each asset portfolio and combined on earnings model and to ascertain the optimum capital structure for restructure. The feasibility report has been concluded and the valuation obtained for the asset portfolios will determine the share valuation for the capital restructure. The report has considered expansion of the Grand Oriental Hotel with additional room keys and development of the York Street building to include branded residencies, entertainment, shopping outlets and restaurants. The Hilton Hotel will include the development of Hilton Colombo Sports Centre to a mixed development with branded hotels, office space, residencies and retail outlets to benefit from the prime location for commercial and residencies.



## Hilton Colombo and Sports Centre

Expressions of Interest (EOI) have been called and 4 interested private investors have been shortlisted for the development of Hilton Colombo and the Sports Centre.



## Grand Hyatt Colombo

- ◆ 60% of the soft refurbishment is completed at a cost of Rs. 25Bn against the total estimated cost of Rs. 51Bn.
- ◆ One Request for Proposal (RFP) cycle has been completed to find suitable investor for the project. As the only bidder was unsuccessful prove the funding sources, a fresh RFP process is in the planning stage.
- ◆ Sri Lanka Insurance Corporation, being the main shareholder of the asset, is in an agreement to finance in part until divestment process is completed.



## Grand Oriental Hotel (GOH)

Soft refurbishment has been completed. Private investor has been selected through a competitive bidding process, but the selected partner was failed to submit bid bond promptly. Therefore, a fresh bidding process is proposed to find a suitable private partner.

Currently, the GOH is operating under the support of the Waters' Edge until the restructuring process is concluded.

Selendiva Leisure Investment Ltd was incorporated on 20th June 2021 as the Hospitality and Leisure Holding SPV with the intention of consolidating the selected asset portfolio in the leisure and hospitality business with a view of listing in the Colombo Stock Exchange to obtain the true value of the assets.

## **Plan 2023**

### **Grand Hyatt Colombo**

- ◆ To proceed with the Grand Hyatt divestment of 100% of the shares and development work of the hotel.
- ◆ Alternatively, obtain funding arrangement from main shareholder Sri Lanka Insurance Corporation (SLIC) for the balance Rs. 4 Bn committed for the construction work to complete 220 rooms under phase I.

### **Grand Oriental Hotel and York Street Building**

Proceed to calling for fresh bid proposals via paper advertisement for the 100% divestment.

### **Hilton Colombo and Sports Centre**

- ◆ Proceed to calling for fresh bid proposal via paper advertisement for the 100% divestment.
- ◆ Complete the refurbishment of 253 guest rooms.

# ANNUAL REPORT OF THE DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Directors of Selendiva Investments Ltd have pleasure in presenting to the shareholders the Annual Report of the Board of Directors on the affairs of the Company together with the Consolidated Financial Statements of the Company and its subsidiaries for the year ended 31st December 2021 and the Independent Auditors Report on those Financial Statements, conforming to the relevant statutory requirements.

This Annual Report on the affairs of the Company contains the information required in terms of Section 168 of the Companies Act, No. 07 of 2007.

## General

Selendiva Investments Limited is a company which was incorporated under the Companies Act, No. 07 of 2007 on the 3rd July 2020 under Company Registration No. PB 00223687.

## Principal Activities of the Company and review of performance during the year

Selendiva Investments Limited is a Government owned investment Company incorporated for the purpose of consolidation and restructure of selected state owned hospitality assets in pursuance of Cabinet Memorandum No.20/0587/204/050 approved by the Cabinet on 26th February 2020.

The Company has not commenced the said business activities during the year under review.

## Financial Statements

The complete Financial Statements of the Company duly signed by Mr. P A I Sirinimal Perera (Chairman) and Mr. A B Rohan Fernandopulle (Director) on behalf of the Board are included in this Annual Report and forms part and parcel hereof.

## Auditors' Report

The Report of the Auditor General on the Financial Statements of the Company is attached with the Financial Statements.

## Accounting policies

The principal accounting policies adopted by the Company in the preparation of Financial Statements are given in Note 4 to the Financial Statements.

## Stated Capital

The Stated Capital of the Company as at 31st December 2021 was Rs.20,000,000/- represented by 2,000,000 ordinary shares.

## Directors

The names of the Directors of the Company who held office as at the end of the accounting period are given below:

**Mr. P.A.S. Srinimal Perera - Chairman**

**Mr. P.A.S. Athula Kumara**

**Mrs. M.T.I. Visakha Amarasekera**

**Mr. Rohan Fernandopulle**

**Mr. R.A. Lakmin Udaya Kumara**

Mr. Rohana De Silva was appointed a Director on 25th March 2022.

Since the Directors were appointed in terms of Article 80(i) of the Articles of Association, they are not subject to retirement by rotation.

None of the above Directors hold shares in the Company.

The names of the Directors of the fully owned subsidiary, Selendiva Leisure Investments Limited who held office as at the end of the accounting period are given below:

**Mr. P.A.I. Srinimal Perera - Chairman**

**Mr. M. Shamahil Mohideen**

## Directors Remuneration

The Directors were not paid any remuneration during the period under review.

## Interest Register

The Company maintains an Interest Register in terms of the Companies act No. 7 of 2007. Details of contracts in which the Directors have an interest have an interest, if any, are disclosed in Note 12.1 to the Financial Statements.

## Donations

The Company has not made any donations during the period under review.

## Auditors

In terms of the 19th and 20th Amendments to the Constitution read together with Article 154 of the Constitution, the Auditor General continues to be the Auditor of the Company.

The amount payable to the Auditor for the period ended 31st December 2021 is Rs.336,000/- consisting of Audit Fees only. An Audit Fee has not been charged in respect of the subsidiary, Selendiva Leisure Investments Limited.

## Directors Responsibilities for Financial Reporting

The Directors are responsible for the preparation and presentation of the Financial Statements of the Company to reflect a true and fair view of its state of affairs. The Directors confirm that these Financial Statements have been prepared in conformity with the Sri Lanka Accounting Standards and the Companies Act No. 07 of 2007. The Directors are accordingly satisfied that the Financial Statements presented herein give a true and fair view of the state of affairs of the Company as at 31st December 2021 and the loss for the year ended.

## Statutory Payments

The Directors are satisfied that to the best of their knowledge and belief, all statutory payments due to the Government and the employees of the Company have been made up to date.

## Events occurring after the Reporting Date

No events have occurred after the Reporting date, which would require adjustments to, or disclosure in the Accounts, other than those given in Note 09 to the Financial Statements.

This Annual Report is signed for and on behalf of the Board of Directors by



**Mr. P.A.I. Sirinimal Perera**  
Chairman



**Ms. M.T.I. Visakha Amarasekera**  
Director



**P W CORPORATE SECRETARIAL (PVT) LTD**  
Company Secretaries

30th September 2022

# THE AUDIT COMMITTEE REPORT

## Audit Committee Charter

Audit Committee operates as a Sub-Committee of the Board of Directors in terms of the mandates given in the Audit Committee Charter to examine any matters relating to the affairs of the Company and to review and monitor the financial reporting.

## Role of the Audit Committee

Audit Committee acts as an effective forum to assist the Board of Directors in discharging their responsibilities on ensuring proper systems of Internal Control are in place both in terms of decision making as well as in operations to address the Risk management process and quality of financial reporting covering.

## Composition of the Audit Committee

Audit Committee comprised of three Non-Executive Directors and the composition is as follows:

**Mr. P.A.S. Athula Kumara** currently holds the position of Director General in Department of Public Enterprises. He holds a B. Sc Management (Public Adm.) (Special) degree from the University of Sri Jayawardenapura and holds an MBA from University of Colombo. Mr. Athula Kumara is a Class 1 Officer of Sri Lanka Accounts' Services and a member of Chartered Public Accountant.

**Mr. R A Lakmin Udaya Kumara** is a Director at the Department of Public Enterprises and has over 11 years of experience in the General Treasury. Mr. Lakmin Kumara has a Master's Degree in Financial Management, and Financial Economics. He has also completed a Capital Markets Program at George Washington University-USA with an internship at the IFCas a short-term Consultant. He is an Associate Member of the ICASL of Sri Lanka and is a member of the Board of Management of the APFA, the Public Sector wing of The Institute of Chartered Accountants of Sri Lanka.

**Mr. Rohan Fernandopulle** is the Chief Executive Officer of Waters Edge Ltd. Mr. Fernandopulle has served as the General Manager Cinnamon Lakeside, Vice President F & B Initiatives Cinnamon Hotels & resorts, Chief Operating Officer Galle Face Hotels Group and Executive Chef of the Hilton Colombo.

## Internal Auditors.

Company recruited a Chief Internal Auditor in April 2021. Chief Internal Auditor has formulated the Internal audit charter for the company and the terms of reference of the audit committee. The Chief Internal Auditor performs an independent review of the system of internal controls established by the Management and to determine the extent of adherence to the controls by the staff responsible for the function addressing the risk management process. The findings and the contents of the Internal Auditors reports are discussed with the Management and corrective measures taken on a timely manner and such reports are presented to the Audit Committee.

## External Auditors

With the enactment of the 19th Amendment to the Constitution and the National Audit Act No 19 of 2018, the Auditor General continues to be the external Auditor of the Company. Accordingly, the Financial Statement for the year ending 31st December 2021 was audited by the Auditor General.

## Adoption of IFRS/ SLFRS

The Company prepared its financial statements in accordance with the Sri Lanka Accounting Standards, as applicable for all periods to date.

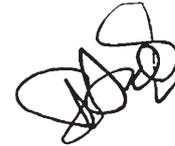
## Review of Draft Financial Statement for the year ended 31st December 2021

The draft Financial Statements for the year ended 31st December 2021 pertaining to the Company were reviewed by the Audit Committee, together with the External Auditors and recommended to the Board for approval.

The Audit Committee was provided with confirmations and declarations as required, by the Chief Financial Officer. The Audit Committee review facilitated that the said Financial Statements to be prepared in accordance with the Sri Lanka Accounting Standards and the information required by the Companies Act, No. 7 of 2007 therein and presented a true and fair view of the Company's state of affairs as at that date and the Company's activities during the year under review.

## Conclusion

The Audit Committee is of the view that adequate controls are in place to safe guard the Company's assets and financial position and the results disclosed in the audited accounts are free from any material mis-statements.



**P.A.S. Athula Kumara**  
Chairman – Audit Committee

# **FINANCIAL STATEMENTS**

# INDEPENDENT AUDITOR'S REPORT



## ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



මගේ අංකය  
எனது இல.  
My No.

CAM/C/SIL/1/21/FA-1

ඔබේ අංකය  
உமது இல.  
Your No.

දිනය  
திகதி  
Date

15 August 2022

Chairman

Selendiva Investments Limited

**Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Selendiva Investments Limited and its subsidiaries for the year ended 31 December 2021 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 the Selendiva Investments Limited (“Company”) and its subsidiaries (“Group”) for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of comprehensive income, statement of changes in equity and cash flow statement 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 and. 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 give a true and fair view of the financial position of the Company and the Group as at 31 December 2021, and of their financial performance and their cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.



**INDEPENDENT AUDITOR'S REPORT**

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**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 Group's 2021 Annual Report.**

The other information comprises the information included in the 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 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 Group's financial reporting process.

As per Section 16(1) of the National Audit Act No.19 of 2018, the Company the Group are required to maintain proper books and records of all their income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Company and 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 scepticism 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

**INDEPENDENT AUDITOR'S REPORT**

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NATIONAL AUDIT OFFICE

expressing an opinion on the effectiveness of the internal control of the Company and the Group.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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. We are 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) of the Companies Act, No.7 of 2007 and section 12 (a) of the National Audit Act, No.19 of 2018.
- 2.1.2 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.
- 2.1.3 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 were 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 cause 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 law/ direction	Description
(a) Section No.7.4.1 of the public Enterprises Circular No.PED/12 of 02 June 2003	The Audit and management committee should meet regular basis at least once in three months, no any committee meeting had been held during the year under review.
(b) Section No.9.5.2 of the Guidelines for Selection and Employment of Consultants August 2007	A transaction advisor had been appointed and had paid Rs.4,092,000 without entering into a formal contract agreement.

**INDEPENDENT AUDITOR'S REPORT**

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NATIONAL AUDIT OFFICE

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.

**2.3 Other Matters**

The Company was incorporated on 30 July 2020 and no any business activity has been commenced even as at the end of the year under review.

  
W.P.C. Wickramaratne

Auditor General

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

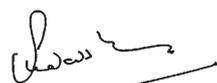
FOR THE 12 MONTHS ENDED 31ST DECEMBER 2021	Group		Company
	12 Months		12 Months
	31.12.2021		31.12.2021
	Rs.		Rs.
Revenue	-	-	-
Cost of sales	-	-	-
<b>Gross profit</b>	-	-	-
Investment income	129,467	129,467	-
Other gains and losses	-	-	-
Administrative expenses	(8,377,940)	(7,529,804)	(422,920)
Distribution Expenses	(284,823)	(284,823)	-
<b>Operating Profit (Loss)</b>	<b>(8,533,296)</b>	<b>(7,685,160)</b>	(422,920)
Depriciation	-	-	-
Finance costs	01 (4,351)	(4,351)	(405)
<b>Profit/(loss) before taxation</b>	<b>(8,537,647)</b>	<b>(7,689,511)</b>	(423,325)
Income tax expense	-	-	-
Profit/(loss) after taxation for the period	(8,537,647)	(7,689,511)	(423,325)
<b>Other comprehensive income</b>			
Actuarial Gain/( loss )on employee benefit obligations	-	-	-
<b>Total comprehensive income/ (expense) for the period</b>	<b>(8,537,647)</b>	<b>(7,689,511)</b>	(423,325)

The accounting policies and notes from 1 to 14 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

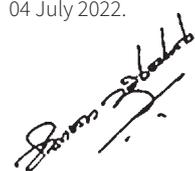
AS AT 31ST DECEMBER 2021		Group	Company	Company
		31.12.2021	31.12.2021	31.12.2020
		Rs.	Rs.	Rs.
<b>Assets</b>				
<b>Non-current Assets</b>				
Property, plant & equipment		-	-	-
Investment in Subsidiary		-	10	-
<b>Total Non-current Assets</b>		-	10	-
<b>Current Assets</b>				
Deposits and Receivables	02	111,027	111,027	-
Amount due from related parties	03	4,904,862	5,752,988	-
Work in Progress - Hotel Colombo (1963) Ltd (GOH)		-	-	1,453,750
Cash and bank balances	04	9,575,171	9,575,171	996,855
<b>Total Current Assets</b>		14,591,060	15,439,386	2,450,605
<b>Total Assets</b>		14,591,060	15,439,196	2,450,605
<b>Equity and Liabilities</b>				
<b>Shareholders' Equity</b>				
Stated Capital	05	20,000,000	20,000,000	10
Accumulated loss		(9,414,558)	(8,566,422)	(423,325)
<b>Total Equity</b>		10,585,442	11,433,578	(423,315)
<b>Non-current Liabilities</b>				
Total Non-current Liabilities		-	-	-
<b>Current Liabilities</b>				
Trade and other payables		4,005,618	4,005,618	150,000
Short Term Financing - Hotel Developers (Lanka) Ltd		-	-	2,500,000
Amount due to related parties	06	-	-	223,900
<b>Total Current Liabilities</b>		4,005,618	4,005,618	2,873,920
<b>Total Liabilities</b>		4,005,618	4,005,618	2,873,920
<b>Total Equity and Liabilities</b>		14,591,060	15,439,196	2,450,605

I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.



**Sudarshan Sri Rayen**  
Head of Finance

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board on 04 July 2022.



**M.T.I. Visakha Amarasekera**  
Director



**P.A.I. Srinimal Perera**  
Chairman

The accounting policies and notes from 1 to 14 form an integral part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE 12 MONTHS ENDED 31ST DECEMBER 2021 Company	Stated Capital	Revaluation Surplus	Furniture, Fittings & Equipment Replacement Reserves	Accumulated Loss	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Balance as at 01st January 2020</b>					-
Addition during the year	10				10
Profit / (loss) for the 12 Months period	-			(423,325)	(423,325)
<b>Balance as at 31st December 2020</b>	10	-	-	(423,325)	(423,315)
Addition during the year	19,999,990				19,999,990
Profit / (loss) for the 12 Months period	-	-	-	(7,689,511)	(7,689,511)
Prior Year Adjustment				(453,586)	(453,586)
<b>Balance as at 31st December 2021</b>	20,000,000	-	-	(8,566,422)	11,433,578

FOR THE 12 MONTHS ENDED 31ST DECEMBER 2021 Group	Stated Capital	Revaluation Surplus	Furniture, Fittings & Equipment Replacement Reserves	Accumulated Loss	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Balance as at 01st January 2020</b>					-
Addition during the year	10				10
Profit / (loss) for the 12 Months period	-			(423,325)	(423,325)
<b>Balance as at 31st December 2021</b>	10	-	-	(423,325)	(423,315)
Addition during the year	19,999,990				19,999,990
Profit / (loss) for the 12 Months period	-	-	-	(8,537,647)	(8,537,647)
Prior Year Adjustment				(453,586)	(453,586)
<b>Balance as at 31st December 2021</b>	20,000,000	-	-	(9,414,558)	10,585,442

The accounting policies and notes from 1 to 14 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE 12 MONTHS ENDED 31ST DECEMBER 2021	Group	Company	
	31.12.2021	31.12.2021	31.12.2020
	Rs.	Rs.	Rs.
Profit / (Loss) before taxation	(8,537,647)	(7,689,511)	(423,325)
<b>Adjustment for</b>			
Interest expenses	4,351	4,351	-
Prior Year adjustments	(453,586)	(453,586)	-
Interest income	(129,467)	(129,467)	-
Operating profit before working capital changes	(9,116,349)	(8,268,213)	(423,325)
Increase/decrease in amounts dues from related parties	(4,904,862)	(5,752,998)	-
Increase/decrease in Deposits and Advances	(100,000)	(100,000)	-
Increase/decrease in amounts dues to related parties	(223,920)	(223,920)	223,920
Increase/ (decrease) in trade & other payables	3,855,618	3,855,618	150,000
Net cash generated from operating activities	(10,489,513)	(10,489,513)	(49,405)
<b>Cash Flows from Investing Activities</b>			
(Increase)/Decrease in WIP - Grant Oriental Hotel	1,453,740	1,453,740	(1,453,750)
Interest income received	118,440	118,440	-
<b>Net cash used in investing activities</b>	<b>1,572,180</b>	<b>1,572,180</b>	<b>(1,453,750)</b>
<b>Cash Flows from Financing Activities</b>			
Issued Share Capital	20,000,000	20,000,000	-
Interest bearing loans and borrowings	(2,500,000)	(2,500,000)	2,500,000
Finance Cost	(4,351)	(4,351)	-
<b>Net cash used in financing activities</b>	<b>17,495,649</b>	<b>17,495,649</b>	<b>2,500,000</b>
Net increase/(decrease) in cash & cash equivalents	8,578,316	8,578,316	996,855
Cash & cash equivalents at the beginning of the year	996,855	996,855	-
<b>Cash &amp; cash equivalents at the end of the period</b>	<b>9,575,171</b>	<b>9,575,171</b>	<b>996,855</b>

The accounting policies and notes from 1 to 14 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

### 1.1. General

Selendiva Investments Ltd is a limited liability company incorporated and domiciled in Sri Lanka. The registered office and the principal place of business of the company is located at No. 02, Sir Chittampalam Gardiner Mawatha, Colombo 2.

### 1.2. Principal Activities and Nature of Operations

Selendiva Investments Limited is a government owned investment Company incorporated for the proposed consolidation and restructuring of selected State-owned hospitality assets in pursuance of Cabinet Memorandum No.20/0587/204/050 approved by the Cabinet on 26th February 2020. The consolidation was to be carried out under Selendiva Leisure Investments Ltd which was incorporated for this purpose. There was no business activity during the year, in view of the ongoing FR Petition No 182/2021.

### 1.3. Date of Authorisation for Issue

The financial statements were authorized for issue by the Board of Directors on 04th July 2022.

### 1.4 Group Information

Subsidiary companies within the Group and its business activities are described in the Group Directory under the Supplementary Information section of the Annual Report. There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

## 2. BASIS OF MEASUREMENT

### 2.1 Statements of Compliance

The financial statements which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity and the statement of cash flows, together with the accounting policies and notes (the "financial statements") have been prepared in accordance

with Sri Lanka Accounting Standards (SLFRS/ LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the Companies Act No. 7 of 2007.

### 2.2 Basis of Measurement

The financial statements have been prepared on the historical cost basis except for the following material item in the statement of financial position:

- ◆ Property, Plant and Equipment which were subsequently measured at fair value.
- ◆ Liability of defined benefit obligation is recognized as the present value of the defined benefit obligation.

### 2.3 Functional and presentation Currency

The financial statements are presented in Sri Lankan Rupees, which is the Company's functional currency and presentational currency. All financial information presented in Sri Lanka Rupees is rounded to the nearest rupee unless otherwise stated.

### 2.4 Key Accounting Judgements and Estimates

The preparation of financial statements of the Group and the Company in conformity with SLFRSs/ LKASs 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 and the disclosure of contingent liabilities at the reporting date. Judgments and estimates are based on historical experience and other factors including expectations that believe to be reasonable under circumstances. Actual results may differ from those estimates and judgmental decisions. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

### 2.5 Comparative Information

The accounting policies have been consistently applied by the Company with those of the previous financial in accordance with LKAS 01 - presentation of financial statements.

### 2.6 Materiality & Aggregation

In compliance with LKAS 01 on presentation of financial statements, each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or functions too are presented separately, if they are material.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies.

## 3. BASIS OF PREPARATION

### 3.1. Consolidation

#### 3.1.1 Basis of Consolidation

The consolidated financial statements (referred to as the 'Group') comprise of the Consolidated financial statements of the Company and its Subsidiary in terms of the Sri Lanka Accounting Standard- SLFRS 10 on "Consolidated Financial Statements".

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

## NOTES TO THE FINANCIAL STATEMENTS

### 3.1.2 Business Combination

Group applied definition of a business (amendments to SLFRS 03) to business combinations whose acquisition dates are on or after 1 April 2020 in assessing whether it had acquired a business or a group of assets. The details of accounting policies are set out below.

Business combinations are accounted for using the acquisition method as at the acquisition date - i.e., when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The Group measures goodwill at the acquisition date as:

\*The fair value of the consideration transferred; Minus.

\*The net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Any goodwill that arises is tested annually for impairment. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

### 3.1.3 Subsidiary

Subsidiary is entities controlled by the Group. The financial statement of subsidiary is included in the

consolidated financial statements from the date, that control commence, until the date that control ceases.

### 3.1.4 Loss of Control

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interest and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

### 3.1.5 Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealized 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. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

### 3.1.6 Reporting Date

All subsidiaries and equity accounted investees of the Group have a common financial year for the year ended 31st December 2021.

### 3.1.7 Foreign Currency Transactions

All foreign currency transactions are translated to Sri Lankan Rupees at the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into local currency at the exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between the amortized cost in Sri Lankan Rupees at the beginning of

the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

## 4. Accounting Policies

The accounting policies have been consistently applied by the Company and, are consistent with those used in the previous year except for changes in accounting policies stated in note 4.1.

### 4.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

#### New and amended standards and interpretations

##### SLFRS 16 Leases

SLFRS 16 provides a single lessee accounting model, requiring leases to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value even though lessor accounting remains similar to current practice. This supersedes: LKAS 17 Leases, IFRIC 4 determining whether an arrangement contains a Lease, SIC 15 Operating Leases- Incentives; and SIC 27 Evaluating the substance of Transactions Involving the Legal form of a Lease. Earlier application is permitted for entities that apply SLFRS 15 Revenue from Contracts with customers.

SLFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019.

### 4.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires the application of certain critical accounting assumptions relating to the future. Further, it requires the management of the Company to make judgments, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However,

uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in future periods. Hence, actual experience and results may differ from these judgments and estimates.

In the process of applying the company's accounting policies, management has made the following judgments, estimates and assumptions which have the most significant effect on the amounts recognized in the financial statements:

**a) Taxation**

The Company is subject to income taxes and other taxes including value added taxation and nations building tax. Significant judgment was required to determine the total provision for current, deferred and other taxes pending the issue of tax guidelines on the treatment of the adoption of SLFRS in the financial statements and the taxable profit for the purpose of imposition of taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these financial statements.

The Company recognized assets and liabilities for current, deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income, deferred and tax amounts in the period in which the determination is made.

**b) Revaluation of Property, Plant and Equipment.**

The Property, Plant and Equipment of the Company are reflected at fair value. When current market prices of similar assets are available, such evidences are considered in estimating fair values of these assets. In the absence of such information the Company determines within reasonable fair value estimates, amounts that can be attributed as

fair values, with the assistance of an independent professional valuer.

**c) Useful Life-time of the Property, Plant and Equipment**

The Company reviews the residual values, useful lives and methods of depreciation of assets as at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

**d) Going Concern**

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the board is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Company. Therefore, the financial statements continue to be prepared on the going concern basis.

**e) Impairment Losses on Financial Assets**

The company assesses at each reporting date or more frequently to determine whether there is any objective evidence whether an impairment loss should be recorded in the statement of comprehensive income.

**f) Defined Benefit Plans**

The cost of defined benefit plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates, etc. Due to the complexity of the valuation, the underlying assumptions and their long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All

assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the yield of Sri Lanka Government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and expected future salary increase rate of the Company.

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied by the Company in preparation of its financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise is indicated.

**5.1 Revenue Recognition**

**(i) Revenue from Contracts with Customers**

The Hotel is in the business of providing hospitality and leisure services.

Revenue from contracts with Customer is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Hotel expects to be entitled in exchange for these goods and services.

The Hotel has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Management has assessed the impact of applying SLFRS 15 as disclosed below:

**(a) Rendering of services**

Revenue from rendering of services is recognized when performance

## NOTES TO THE FINANCIAL STATEMENTS

obligations are satisfied over a period of time.

Room revenue is recognized on the rooms occupied on a daily basis and food and beverage revenue is accounted for at the time of sale. (i.e., when performance obligation is satisfied)

### (ii) Interest

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income on the non-financial assets is included in FF&E reserve. All other interest income is included in finance income.

### (iii) Shop Rental Income

Shop Rental income is recognized on accrual basis.

#### Turnover based taxes

Turnover based taxes include Value Added Tax, Nation Building Tax, and Tourism Development Levy. Hotel pays such taxes in accordance with the respective statutes.

#### Other income

Other income is recognized on an accrual basis.

## 5.2 Expenditure Recognition

Expenses are recognized in the statement of comprehensive income on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in running the business and in maintaining property, plant and equipment in a state of efficiency has been charged to the statement of comprehensive income.

For the purpose of presentation of the statement of comprehensive income, the "function of expenses" method has been adopted, on the basis that it presents fairly the elements of the Company's performance.

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of comprehensive income.

## 5.3 Taxation

### 5.3.1 Current Tax

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current year and any adjustment to tax payable in respect of prior years. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the reporting date.

### 5.3.2 Deferred Tax

Deferred tax is provided using the liability method on temporary differences at the reporting period date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purpose.

Deferred tax assets are recognized for all deductible differences. Carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of a deferred tax asset is reviewed at each reporting date and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it is probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply in the year when the assets are realized or the liabilities are settled, based on tax rates and tax laws that have been enacted or subsequently enacted at the reporting date.

## 5.4 Non-Financial Asset

### 5.4.1 Property, Plant and Equipment

#### a) Recognition and Measurement

##### At Initial Recognition

Property, plant & equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with LKAS 16 - property, plant & equipment. Initially property and equipment are measured at cost net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the Property, Plant and Equipment and borrowing costs for long term construction projects if the recognition criteria are met. When significant parts of Property, Plant and Equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major refurbishment is performed, its cost is recognized in the carrying amount of the Property, Plant and Equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the profit or loss as incurred.

##### At Subsequent Measurement

All Property, Plant and Equipment are subsequently measured at fair value less accumulated depreciation and such valuation are carried by external independent valuers. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A revaluation surplus is recognized in other comprehensive income and credited to the revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in the Income Statement, in which case the increase is recognized in the Income Statement. A revaluation deficit is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve. Upon disposal or de-recognition, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost.

### Subsequent Cost

Subsequent expenditure incurred for the purpose of acquiring, extending, or improving assets of a permanent nature by means of which to carry on the business or to increase the earning capacity of the business is treated as capital expenditure and such expenses are recognized in the carrying amount of an asset. The costs associated with day-to-day servicing of property, plant and equipment is recognized in the statement of comprehensive income as incurred.

### Depreciation

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Depreciation is charged from the date of purchase to the date of disposal on prorata basis. The rates of depreciations based on the estimated useful lives are as follows:

Category of asset	%
Buildings	2.5
Plant and machinery	7.5
Refrigerators & kitchen equipment	7.5
Computers & televisions	20
Motor vehicles	25
Furniture, fittings & equipment	10
Operating Equipment	33

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

### De-recognition

Property, plant and equipment are derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'other operating income' in the statement of comprehensive income in the year the asset is derecognized. The revaluation surplus included in the equity in respect of an item of Property, Plant and Equipment is transferred directly to equity when the assets in de-recognized.

## 5.4.2 Impairment of Non-financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an assets or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other

assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognized in the Income Statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognized in equity up to the amount of any previous revaluation.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Income Statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

## 5.4.3 Fair Value Measurement

The Company measures all Property, Plant and Equipment at fair value. Fair value is the price that would be received to sell an asset or paid

## NOTES TO THE FINANCIAL STATEMENTS

to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place.

- ◆ In the principal market for the asset or liability or
- ◆ In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

**Level 1** - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

**Level 2** - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

**Level 3** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the Financial Statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's management determines the policies and procedures for both recurring fair value measurement. External valuers are involved for valuation of Property, Plant and Equipment. Involvement of external valuers is decided by the management after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

### 5.5 Prepaid Lease Rental

The leasehold lands are being amortized on an equal annual basis over the period of the lease and charged to the Income Statement on a straight-line basis over the period of the lease.

### 5.6 Inventories

Inventories are valued at the lower of cost and estimated net realizable value, after making due allowances for obsolete and slow moving items. Net realizable value is the price at which inventories can be sold in the normal course of business after allowing for cost of realization and/ or cost of conversion from their existing state to saleable condition.

The cost of each category of inventory is determined on the weighted average basis.

### 5.7 Financial Assets – Recognition and Measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

## Financial assets

### (a) Initial Recognition and measurement

Financial assets are classified at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Hotel's business model for managing them. With the exception of trade receivable that do not contain significant financing component for which Hotel has applied the practical expedient, the Hotel initially measures a financial asset at its fair value plus, in the case of financial asset not a fair value through profit or loss, transaction costs. Trade receivable that does not contain a significant financing component for which the Hotel has applied the practical expedient are measured at the transaction price determined under SLFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI it needs to give rise to cash flows that are 'solely payments of principal and interest' on the principal amount outstanding.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

The Hotel's business model for managing financial assets refers to how it manages financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows selling the financial assets or both.

Purchases or sales of financial assets that require delivery of financial assets within a time frame established by regulation or convention in the

market place are recognised on the trade date, i.e., the date that the Hotel commits to purchase or sell the asset.

### (b) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- i. Financial assets at amortised cost (debt instruments)
- ii. Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- iii. Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)
- iv. Financial assets at fair value through profit or loss

#### Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Hotel. The Hotel measures financial assets at amortised cost if both of the following conditions are met:

- ◆ The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- ◆ The contractual terms of the financial asset give rise to specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Hotel's financial assets at amortised cost includes cash and bank balances, short term investments, amount due from related parties, trade receivables, and non-current investments.

The Hotel does not classify financial assets at fair value through OCI (debt instruments) and financial assets at fair value through OCI (equity instruments) and financial assets at fair value through profit or loss.

### (c) De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised) when:

- ◆ The rights to receive cash flows from the asset have expired or
- ◆ The Hotel has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  - (a) the Hotel has transferred substantially all the risks and rewards of the asset, or
  - (b) the Hotel has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Hotel has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Hotel continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Hotel also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Hotel has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Hotel could be required to repay.

### (d) Impairment

The Hotel recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Hotel expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables, the Hotel applies a simplified approach in calculating ECLs. Therefore, the Hotel does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Hotel has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

#### Financial liabilities

##### (a) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Hotel's financial liabilities include trade and other payables, amounts due to related parties including bank overdrafts.

Hotel does not have financial liabilities at fair values through profit and loss and derivative financial instruments.

## NOTES TO THE FINANCIAL STATEMENTS

### (b) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

#### Loans and borrowings

This is the category most relevant to the Hotel. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

### (c) De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

#### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

### 5.8 Cash and Bank Balances

Cash and bank balances are defined as cash in hand and balances with banks. 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. Investments with short maturities i.e., three months or less from the date of acquisition are also treated as cash equivalents.

### 5.9 Stated Capital

Ordinary shares are classifying as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

### 5.10 Retirement Benefit Obligations

#### 5.10.1 Defined Benefit Plan – Gratuity

The liability recognized in the statement of financial position represents the present value of the defined benefit obligation at the reporting date estimated based on actuarial valuation using the projected unit credit method. The actuarial valuations involve making assumptions about discount rates and future salary increases. A defined benefit obligation is highly sensitive to changes in these assumptions. These benefits are not externally funded.

The Company recognizes all actuarial gains and losses arising from defined benefit plans immediately in the other comprehensive income.

However, as per the Payment of Gratuity Act No. 12 of 1983, the liability to pay gratuity arises only on completion of 5 years of continued service.

#### 5.10.2 Defined Contribution Plan

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 plans are recognised as an employee benefit expense in the statement of comprehensive income as in the periods during which services are rendered by employees.

#### a) Employees' Provident Fund

The company and employees contribute 12% and 8% respectively on the salary of each employee to the approved Provident Fund.

#### b) Employees' Trust Fund

The Company contributes 3% of the salary of each employee to the Employees' Trust Fund.

### 5.11 Financial Liabilities

#### 5.11.1 Initial Recognition and Measurement

The Company classifies financial liabilities in to financial liabilities at Fair Value Through Profit or Loss (FVTPL) or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities.

The Company recognizes financial liabilities in the statement of financial position when the Company becomes a party to the contractual provisions of the financial liability.

#### a) Financial Liability at FVTPL

Financial liabilities at FVTPL include financial liabilities held-for-trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, and changes there in recognized in profit or loss.

Upon initial recognition, transaction cost is directly attributable to the acquisition are recognized in profit or loss as incurred. The criteria for designation of financial liabilities at FVTPL upon initial recognition are the same as those of financial assets at FVTPL.

## b) Other Financial Liabilities

Other financial liabilities including deposits, debt issued by the Company and the other borrowed funds are initially measured at fair value less transaction cost that are directly attributable to the acquisition and subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

### 5.11.2 De-recognition of Financial Liabilities

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

## 5.12 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

## 5.13 Statement of Cash Flows

The cash flow statement has been prepared using the indirect method, as stipulated in LKAS 7- statement of cash flows. Cash and cash equivalents comprise of cash in hand, cash at bank and bank overdrafts.

## 5.14 Segmental Information

A Segment is a distinguishable component engaged in providing services and that is subject to risks and returns that are different to those of other segments. The Company does not have distinguishable components to be identified as a segment as all operations are treated as one segment.

### 5.14.1. Standards Issued but Not Yet Effective

A number of new standards and amendments to standards and amendments are effective for annual periods beginning after the current financial year and earlier application is permitted; however, the Group has not early adopted them in preparing these financial statements.

The following amended standards are not expected to have a significant impact on the Group's financial statements.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16) The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Reference of Conceptual Framework (Amendments to SLFRS 3 – Business Combination) The amendments update an outdated reference to the Conceptual Framework in SLFRS 3 without significantly changing the requirements in the standard.

Classification of Liabilities as Current or Non-current (Amendments to LKAS 1) The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain

settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

COVID-19 related concessions (Amendments to SLFRS 16) Introduces an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance.

Annual Improvements to SLFRS Standards issued during 2018-2020 IFRS issued improvements to standards issued during the period 2018 to 2020 with improved clarifications and amendments to IFRS 1, IFRS 9, IFRS 9 and IAS 41.

**NOTES TO THE FINANCIAL STATEMENTS**

		Group		
		12 Months	12 Months	12 Months
		31.12.2021	31.12.2021	31.12.2020
		Rs.	Rs.	Rs.
<b>01.</b>	<b>Finance Costs</b>			
	Overdraft Interest	1,615	1,615	
	Bank charges	2,736	2,736	405
		<b>4,351</b>	<b>4,351</b>	405
<b>02.</b>	<b>Deposit and Receivables</b>			
	Repo Interest Receivables	11,027	11,027	-
	Legal Fees - Advance Deposit	100,000	100,000	-
		<b>111,027</b>	<b>111,027</b>	-
<b>03.</b>	<b>Amounts Due From Related Party</b>			
	Secretary to the Treasury	-	-	10
	Hotel Developers (Lanka) Ltd	4,904,862	4,904,862	-
	Selendiva Leisure Investment Ltd	-	848,136	-
	<b>Less:</b>			
	Selendiva Leisure Investment Ltd - Issued Shares	-	(10)	-
		<b>4,904,862</b>	<b>5,752,988</b>	10
<b>04.</b>	<b>Cash and bank balances</b>			
	Cash at Bank	4,475,171	4,475,171	996,855
	Cash in hand	100,000	100,000	-
	Short term Repo Investment	5,000,000	5,000,000	-
		<b>9,575,171</b>	<b>9,575,171</b>	996,855
<b>05.</b>	<b>Stated Capital</b>			
	<b>Issued and Fully Paid</b>			
	Ordinary shares	2,000,000	2,000,000	1
The initial capital of Rs. 20,000,000/- was invested on the 22nd January 2021 by the Ministry of Finance.				
<b>06.</b>	<b>Amounts Due To Related Parties</b>			
	Hotel Developers (Lanka) Ltd	-	-	223,920
		-	-	223,920

## 07. Analysis of financial instruments by measurement basis As at 31st December 2021

Financial assets by categories	Group	Company	
	31.12.2021	31.12.2021	31.12.2020
	Rs.	Rs.	Rs.
	Loans and receivables	Loans and receivables	Loans and receivables
<b>Financial instruments in current assets</b>			
Amounts due from related party	4,904,862	5,752,988	-
Cash in hand and at bank	9,575,171	9,575,171	996,855
Total	14,480,033	15,328,159	996,855

Financial liabilities by categories	Financial Liabilities measured at amortized cost		
	Group	Company	
	31.12.2021	31.12.2021	31.12.2020
	Rs.	Rs.	Rs.
<b>Financial Instruments in current liabilities</b>			
Trade and other payables	4,005,618	4,005,618	150,000
Amounts due to related party	-	-	223,920
Total	4,005,618	4,005,618	373,920

## 08. Financial Risk Management

The Group's activities are exposed to a variety of financial risks such as market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management process focuses on the unpredictability of financial risks and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is performed by the finance department under policies approved by the Board of Directors.

The principal financial instruments of the Group's comprise of short term deposits, money market investments, and cash. The main purpose of these financial instruments is to raise and maintain liquidity for the Group's operations, and maximize returns on the Group's financial reserves. The Group has various other financial instruments such as trade receivables and trade payables which arise directly from its business activities.

### 08.1 Credit Risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities.

The company trades only with recognized, credit worthy third parties. It is the Hotel's policy that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is not significant.

### 08.2 Credit risk exposure

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts (without consideration of collateral, if available). Following table shows the maximum risk positions.

**NOTES TO THE FINANCIAL STATEMENTS**

In Rs.	Company			Total
	As at 31 December 2021			
	Cash in hand and at bank	Trade and other receivable	Amounts due from related parties	
Trade and other receivables	-	111,027		111,027
Amounts due from related parties	-	-	5,752,988	5,752,988
Cash in hand and at bank	9,575,171	-		9,575,171
Total credit risk exposure	9,575,171	111,027	5,752,988	15,439,186

In Rs.	Group			Total
	As at 31 December 2021			
	Cash in hand and at bank	Trade and other receivable	Amounts due from related parties	
Trade and other receivables	-	111,027		111,027
Amounts due from related parties	-	-	4,904,862	4,904,862
Cash in hand and at bank	9,575,171	-		9,575,171
Total credit risk exposure	9,575,171	111,027	4,904,862	14,591,060

**08.3 Amounts due from related parties**

The balance consists of amount due from affiliate companies of Selendiva Investments Ltd

**08.4 Credit risk relating to cash and cash equivalents**

The Group maintains an authorised list of acceptable cash counterparties based on current ratings and economic outlook, taking into account analysis of fundamentals and market indicators. The Group held cash and cash equivalents of Rs.9,575,171/16 as at 31 December 2021.

**08.5 Liquidity risk**

The Group's policy is to hold cash at a level sufficient to ensure that the Group has available funds to meet its short and medium term funding obligations, including organic growth, and to meet any unforeseen obligations and opportunities.

The Group monitors its risk to a shortage of funds using a daily cash management process. This process considers the maturity of both the Group's financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

Net (debt)/cash	As at 31 December 2021	
	Group	Company
	31.12.2021	31.12.2021
	Rs.	Rs.
Cash in hand and at bank	9,575,171	9,575,171
Total liquid Assets	9,575,171	9,575,171
Net (debt)/cash	9,575,171	9,575,171

## 08.6 Maturity analysis

The table below summarises the maturity profile of financial liabilities at 31 December 2021 based on contractual undiscounted payments.

In Rs.	As at 31 December 2021		
	Group Within one year	Company Within one year	Total
Trade & other payables	4,005,618	4,005,618	4,005,618
	4,005,618	4,005,618	4,005,618

## 08.7 Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Hotel is exposed to market risk through its use of financial instruments and specially to currency risk, and certain other price risks.

## 09. Events after the Reporting Date

There have been no material events after reporting date that require adjustment to or disclosure in the financial statements other than the below.

The Ministry of Finance of Sri Lanka invested Rs. 20,000,000/- on 22nd January 2021 as initial capital of the company.

## 10. Capital Commitments

There were no capital commitments or contingent liabilities that requires disclosures in these financial statements other than the following:

## 11. Contingent Liability

There is no congingent liability recognized as at the balance sheet date.

## 12. Related Party Disclosures

### 12.1 Transaction with Key Management Personnel

Related Parties include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the company. Key management personnel include members of the Board of Directors of the company.

There is no Directors' emoluments paid during the period.

### 12.2 Amounts due from related parties (Refer Note 3)

### 12.3 Amounts due to related parties (Refer Note 6)

	Group 31.12.2021 Rs.	Company 31.12.2021 Rs.
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### 12.4 Transactions with related parties

Affiliates/Group Hotel		
I. Hotel Developer (Lanka) PLC	4,904,862	4,904,862
III. Selendiva Leisure Investment Ltd	-	848,136

### Terms and conditions of transactions with related parties

Transactions with related parties are carried out in the ordinary course of the business. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash.

## NOTES TO THE FINANCIAL STATEMENTS

### 13. Investment in Subsidiary -Selendiva Leisure Investments Ltd

Selendiva Leisure Investments Ltd (SLIL or “Holding SPV”), was incorporated on 20th June 2021, as a fully owned subsidiary of Selendiva Investments Ltd (hereinafter referred to as “SIL”) SIL will continue remain a 100% state owned entity, with 100% of its shares owned by the Secretary to the Treasury.

The Board of Directors of SIL have resolved to propose that the transfer of assets of Canwill Holdings (Pvt) Ltd, to SLIL be considered at a future date.

With regard to the other two assets the shareholders of the respective asset Portfolios, namely, Hotel Developers (Lanka) Ltd and Hotels Colombo (1963) Ltd, will be issued shares of SLIL, pro rata to their net asset value of the respective Portfolios at the time of transferring the assets to SLIL. SIL will continue hold up to 100% of the shares of SLIL in consideration of SIL's role as the facilitator/promoter with Golden Share rights.

### 14. Litigation as of the reporting date

Mr Kapila Renuka perera (petitioner) has instituted a Fundamental rights Application (in his capacity as a concerned citizen of Sri Lanka. (i.e. a public interest litigation)) against inter alia Selendiva Investments Limited, Selendiva Leisure Investments Limited, the Hon. Attorney General, the Prime Minister, the Minister of Finance Secretary to the Treasury, Securities of Exchange Commission and others on 7th July 2021. The said Fundamental Rights Application is filed on the premise that his Fundamental right guaranteed under Article 12 of Constitution of Sri Lanka has been purportedly violated. The violation alleged by him is that several State- Owned Assets are being systematically and/or strategically divested to the private sector (privatized). No Interim- Orders /stay- orders have been granted by the Supreme Court and the matter has not been supported for Leave Proceed as at the date hereof. Selendiva Investments Limited and Selendiva Leisure Investments Ltd have filed objections and the case will be called on 7th April 2022 based on the objections filed by the Company.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Second ANNUAL GENERAL MEETING of SELENDIVA INVESTMENTS LIMITED will be held at the Boardroom of Hotel Developers (Lanka) Limited, at No.2, Sir Chittampalam A Gadiner Mawatha, Colombo 02 on Monday, 31<sup>st</sup> October 2022 at 3.30 p.m.

## AGENDA

1. To pass the following resolution to accept the Notice of Meeting:

"RESOLVED that the Notice dated 26th October 2022 convening the Annual General Meeting of the Company be and is hereby accepted as a valid notwithstanding that the meeting has been called with shorter notice than that specified in the Article of Association of the Company and Companies Act No. 07 of 2007"

2. To receive the Annual Report of the Board of Directors and the Statement of Accounts of the Company for the year ended 31<sup>st</sup> December 2021 together with the Report of the Auditor General thereon.

3. To pass the ordinary resolution set out below to re-appoint Mr. Palihawadana Arachchige Irenius Sirinimal Perera who is 78 years of age, as a Director of the Company.

"IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act No.07 of 2007 shall not apply to Mr. Palihawadana Arachchige Irenius Sirinimal Perera who is 78 of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No.07 of 2007"

4. To note that the Auditor General continues to be the Auditor of the Company pursuant to the 19<sup>th</sup> and 20<sup>th</sup> Amendments to the Constitution, read together with Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka, and to authorize the Directors to determine the remuneration of the Auditor.

By order of the Board of

**SELENDIVA INVESTMENTS LIMITED**  
**P W CORPORATE SECRETARIAL (PVT) LTD**



**SECRETARIES**

Colombo  
26th October 2022

## NOTE:

- ◆ The Shareholder of the Company is entitled to appoint a Proxy to attend and vote on his behalf.
- ◆ Proxy need not be a Shareholder.
- ◆ The duly completed and signed Proxy Form, which is enclosed should be deposited at the Registered Office of the Company not less than 36 hours before the time appointed for the meeting.



# FORM OF PROXY

I ..... of  
.....

being the sole shareholder of Selendiva Investments Limited hereby appoint:

..... of  
..... or falling him/her

- Mr. Palihawadana Arachchige Irenius Sirinimal Perera or falling him
- Ms Maha Tantrige Indivari Visakha Amarasekere or falling her
- Mr. Ranathun Achchige Lakmini Udayakumara or falling him
- Mr. Patikiri Arachchige Susantha Athula Kumara or falling him
- Mr Anton Brinsley Rohan Fernandopulle or falling him
- Mr Pettagan Pandula Sri Rohana De Silva

as my/our proxy to represent me/us to speak and to vote for me/us and on my/our behalf at the Second Annual General Meeting of the Company to be held on the 31st day of October 2022 at 3.30 p.m. and at any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To accept the Notice of Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
2. To receive and consider the Report of the Directors and the Statement of Accounts for the year ended 31st December 2021 together with the Report of the Auditor General thereon.	<input type="checkbox"/>	<input type="checkbox"/>
3. To pass the ordinary resolution set out under item 3 of the Notice of Meeting for the re-appointment of Mr. P A I S Perera	<input type="checkbox"/>	<input type="checkbox"/>
4. To note that the Auditor General continues to be the Auditor of the Company and to authorize the Directors to determine the Auditor's remuneration	<input type="checkbox"/>	<input type="checkbox"/>

Signed this.....day of.....2022

.....  
*Signature of the Shareholder*

**Note:**

1. Instructions as to completion are noted overleaf
2. A Proxy need not be a shareholder of the Company
3. Please mark "X" in appropriate cages to indicate your instructions as to voting.

**FORM OF PROXY****INSTRUCTIONS AS TO COMPLETION OF PROXY**

1. Kindly perfect the Form of Proxy by legibly filling your full name and address, signing in the space provided, and filling in the date of signature.
2. If the Proxy Form is signed by an Attorney, the relative Power of Attorney should also accompany the Proxy Form for registration, if such Power of Attorney has not already been registered with the Company.
3. In the case of Company/Corporation, the Proxy must be filled and attested in the legally prescribed manner.
4. The complete Form of Proxy should be deposited at the registered office of the Company, No.2, Sir Chittampalam A Gardiner Mawatha, Colombo 2, not less than 36 hours, before the time appointed for the Meeting.
5. A shareholder appointing a Proxy (other than a Director of the Company) to attend the meeting should indicate the Proxy holder's National Identity Card (NIC) number on the Form of Proxy and request the Proxy holder to bring his/her National Identity Card with him/her.

# CORPORATE INFORMATION

**NAME OF THE COMPANY:**

SELENDIVA INVESTMENTS LIMITED

**BANKERS:**

Peoples Bank - Corporate Branch

**LEGAL FORM:**

A State Owned Limited Liability Company

**LAWYERS:**

Attorney General's Department

**DATE OF INCORPORATION:**

3rd July 2020

**AUDITORS:**

Auditors General  
National Audit Office Polduwa Road,  
Battaramulla

**COMPANY REGISTRATION NO:**

PB 00223687

**DIRECTORS:**

Mr. Palihawadana Arachchige Irenius  
Sirinimal Perera - *Chairman*

Mr. Patikiri Arachchige Susantha Athula  
Kumara

Mrs. Maha Tantrige Indivari Visakha  
Amarasekera

Mr. Anton Brinsley Rohan Fernandopulle

Mr. Ranathun Achchige Lakmin Udaya  
Kumara

Mr. Pettagan Pandula Sri Rohana De Silva

The above Directors do not hold shares in the  
company.

**REGISTERED OFFICE:****Selendiva Investments Ltd**

No. 2 Sr Chittampalam A Gardiner Mawatha  
Colombo 02

Tel: +94 112433435

Fax: +94 112446545

Email: [info@investselendiva.com](mailto:info@investselendiva.com)

Web site: [www.investselendiva.com](http://www.investselendiva.com)

**SECRETARIES AND REGISTRARS:**

P W Corporate Secretarial (Pvt) Ltd  
No. 3/17 Kynsey Road,  
Colombo 08.

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and produced by  
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