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Hikkaduwa Beach Resort PLC

Annual Report 2019/20

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# Chairman's Review

It gives me great pleasure to welcome you to the Annual General Meeting of Hikkaduwa Beach Resort PLC and to present the annual report and audited financial statements for the year ended 31st March 2020.

Despite the unprecedented challenges that befell, the Company looks back at a year faced with an exceptional spirit of resilience. Today, the Citrus Group remains optimistic about the future as we weigh the opportunities of tomorrow.

## Industry Overview

Tourism is a key contributor to the Sri Lankan economy and against the backdrop of the Easter attacks and the COVID-19 pandemic, the industry recorded a turbulent year on both local and international scales.

The Easter Sunday bombings at the very beginning of the financial year was the first major crisis faced by the tourism industry since the end of the war. The coordinated attacks including three targeting City Hotels led to an immediate decline in arrivals and a severe erosion of positive sentiment. Given the scale of the attacks and the resultant economic impact, the tourism industry partnered with the government to implement several international initiatives to ensure the industry's revival.

Subsequent to these efforts, the tourism sector began to recover better than expected with numbers picking up by July/August 2019, and operations returning to near normal by the winter season. Particularly during the months of January and February 2020, many hotels were able to make gains on the losses registered in the immediate aftermath of the attacks.

However, as the entire world became engulfed by the COVID-19 pandemic, the industry ground to a halt in March 2020 as countries closed their borders and locked down their citizens to manage the spread of the virus. Sri Lanka went on to record zero tourist arrivals, following the implementation of island-wide curfew and the termination of all passenger flights and ship arrivals into Sri Lanka beginning 18th March 2020.

The outbreak of the COVID-19 pandemic will undoubtedly continue to cripple global economies for the better part of financial year 2020/21. Given the significant contribution of tourism to the Sri Lankan economy, the industry will struggle to stay afloat while other industries allied to the tourism value chain will also feel sustained knock-on effects.

## Government Contribution

The government took critical and timely steps to extend support to the industry following both setbacks, which we gratefully acknowledge. Any industry will benefit from strong and stable leadership, and against the backdrop of a declining economy, the aid extended by the Sri Lankan government through moratoriums on existing loans, tax reductions and other concessions ensured the survival of many industry players.

## Group Performance

The Group of Citrus Hikkaduwa posted revenue of Rs. 937 Mn for the financial year ended 31 March 2020. The year further saw the Group initiate a debt restructuring programme via a rights issue designed to convert debt into equity with the purpose of strengthening the balance sheet and reducing overall debt. These details are further discussed within the Annual Report on page 16.

## Chairman's Review

Group properties remained closed from March 2020 to May 2020 resulting in a dismal first quarter of 2020/2021. However, it must be noted that at the time of writing, the Group had maintained an adequate cash flow to secure a break-even performance in the second quarter 2020-21, despite poor occupancy.

### Growth of the Informal Sector

In the previous year's annual report, I mentioned the significant growth of the informal sector over the past few years where establishments that are neither taxed nor monitored by a system or authority have become a threat to the formal sector. With the informal sector making up a significant portion of the Sri Lankan economy, it is often associated with reduced tax revenues, poor governance, and income inequality.

With properties including 'low-end' operational units and even certain high-end ones such as boutique hotels and villas, the past few years have seen a global trend in tourist preferences towards smaller properties, some of which offer high-end amenities. Owing to this, the informal sector continues to grow due to its cheaper rates, thereby providing accessibility for all.

This new attitude towards informal hospitality providers is undoubtedly driven by millennials; for example, the tourism boom experienced in Ella and Mirissa is driven by many small players of the informal sector, and there are no large hotel chains present in some areas. Similarly, certain tourist segments seek out budget holidays, including those run by families who open up their homes.

It is indisputable that the informal sector has contributed as a new thrust area, bringing new life to the tourism industry; however, without proper regulation the formal sector will continue to be strangled. I therefore appeal to the government to create a more equal footing for all industry players, in order to ensure equitable treatment to all parties involved.

### Key Thrust Areas and Future Trends

In the recent past, the Sri Lankan government launched an ambitious programme of physical infrastructure development to completely upgrade the logistics, infrastructure and telecommunications backbone of the country. These ongoing initiatives have immensely contributed towards enhancing connectivity and to facilitate easy travel access to different parts of the country— especially focused towards areas in the deep South, where Sri Lanka's world-renowned biodiversity offering is most concentrated.

Sri Lanka has the opportunity to grow its ecotourism industry, which caters to tourists interested in immersing themselves in experiences that actively and meaningfully engage with the people, culture, history, food and environment of the location. This trend has been in high demand, as people are no longer fond of larger hotels and prefer experiencing smaller, niche locations that represent a destination in its purest form.

Eco-tourism is an aspect Sri Lanka can thrive on and it must be explored further to create opportunities for the industry. Sri Lanka has within its relatively small expanse, some of the best displays of

biodiversity the world has to offer. There remains the concern however, that much of these untapped locations may take time to acclimatize to external visitors, and may not yield immediate results. However, it is my firm belief that if authorities invested in the sustainable development of these areas, the long-term results would prove beneficial, and become a strong driver of industry growth.

### Addressing the Future

With the relaxation of the lockdowns, the industry opened its doors to welcome local tourists, who will form an important revenue source until the pandemic subsides and global tourism starts picking up. The government and health authorities have worked hand in hand with the industry to up-skill employees and establish health protocols and sanitary standards in order to assure guests of health and safety, while experiencing the comfort of true Sri Lankan hospitality.

While we cannot disregard the turbulence created in the economy, the industry and its people at this juncture, we are driven by a spirit of positivity and pride to note that our island shows immense potential and will face a tourism boom once the pandemic subsides. The support extended by the government and financial institutions during these trying times has assisted much of the industry to stay afloat, so that we may rise to challenges together as a nation.

### Appreciations

I would like to express my sincere gratitude to my fellow board members for their continued support throughout the year under review. I would also like to place on record my appreciation for the management and employees of the company, as well as the government authorities, who ensured the Group remained afloat amidst the many challenges the year brought upon us.

On behalf of the Board of Directors, I thank all our stakeholders and you, our valued shareholders, for the trust you have placed in us to lead your company in the coming years.



**E P A Cooray**  
Chairman

8th December 2020  
Colombo

## CEO's Review

It is with great pride that I present this review of Hikkaduwa Beach Resort PLC's operations during the financial year ending 31 March 2020. Two unforeseen challenges that came our way at the beginning and the end of the financial year had substantial impacts on performance, but how we managed these events also reflected the strength of our stakeholders, whose collective efforts enabled the Group to remain resilient. However, the deep economic impact of the COVID-19 pandemic will be a sustained one and in order to rise from these challenges, I believe we must come together as a nation as we have demonstrated in the past during cataclysmic events.

### Performance Review

During the year under review, the tourism industry recovered earlier than expected following the Easter attacks due to a series of collective efforts by the government, private sector, hotel operators, travel agents and other industry players. Your Company too invested in stronger security measures in order to inspire guest confidence. By October 2019, visitor volumes had picked up while hotel rates had returned to the previous year's levels. The Citrus Group recorded a significant growth in revenue and operational profitability at all three properties during the third quarter. In January 2020, the many value additions at our properties, including entertainment and F&B options, enabled us to gain a competitive market share, and promised a fruitful 2020/21.

However, the outbreak of COVID-19 resulted in a significant number of guest cancellations starting from the second week of February 2020, culminating in zero occupancy across the Citrus Group recorded by end March. All three of our properties were closed from the end of March up to the end of April as a safety precaution.

In May 2020, it was decided that our signature property in Waskaduwa would be offered free of charge to the government for use as a quarantine centre. The government made the decision to offer Citrus Waskaduwa to Sri Lankans returning from overseas who opted for paid quarantine facilities. It is with a deep sense of pride and gratitude to our dedicated team that I wish to place on record that Citrus Waskaduwa has safely accommodated many guests, and continues to be a quarantine centre at the time of writing.

### A Differentiated Offering

Citrus has always believed in differentiating our product offering along with the highest service quality in order to remain competitive. This is especially important given the price competition in the formal sector and the rapid growth of the informal sector. We choose to see these challenges as an opportunity to embrace our unique proposition. Nevertheless, it is also critical that stronger governance mechanisms are introduced to regulate the informal sector so that the entire destination maintains high tourism standards.

We have witnessed an increase in the number of local guests patronizing our properties in Waskaduwa and Hikkaduwa; this has helped us achieve increased occupancies during the off-season months and will receive our continued focus. Local tourism will be the driver of revenue for the better part of 2020/21 given the border closures in place for much of the year.

Despite the restrictions in global travel, the Group will continue to maintain its marketing links with key source markets in India, China, Russia and Europe in order that we remain a brand of choice once global travel resumes.

### Accolades and Achievements

In what was a silver lining during a turbulent year, the Citrus Group received many accolades and certifications in the year due to the efforts of our team.

This year, our team of gifted chefs and our F&B team were recognised as the Most Outstanding Deep Down South Culinary Team for the year 2019, at South-East Asia's largest Food and Hospitality Show, the Culinary Art Food Expo 2019. They received multiple awards in all three classes; gold, silver and bronze. The Group's properties also received ISO 22000 and HACCP certifications, demonstrating an all-round commitment to quality and operational excellence.

### Forward Thinking

Amid the turbulence of the financial year, the Group resorted to effective cost management exercises that enabled a positive performance in 2019/20. These together with the financial concessions and tax reductions initiated by the government helped us tremendously – their impact will be evident in the performance of the coming year.

While the COVID-19 pandemic has decimated the global tourism industry, we remain bullish about the medium to long term prospect for Sri Lanka's tourism industry. As such, we are strategizing how we may maximize our portfolio products and revenue. The Group will expand the offering at our existing hotels to accommodate more guests and facilitate more recreational spaces while also capitalising on our valuable land banks in Passikudah and Kalpitiya that are available for future developments.

### Acknowledgements

I am deeply grateful to the Chairman and Board for their guidance and support, and to my team at Citrus for their dedication and unwavering commitment to the Group and the country during trying times. The company owes its success to the efforts of each individual that makes up our Citrus family.

I would also like to thank all our stakeholders, for respecting and believing in our brand to deliver upon our promise to serve to the best of our capabilities.



**P C B Talwatte**

Chief Executive Officer

8th December 2020  
Colombo

## Board of Directors

### Mr. Prema Cooray

Mr. Prema Cooray, the immediate Past Chairman of Aitken Spence PLC counts well over 30 years' experience in travel and tourism. He led the Hotel Sector of Aitken Spence for several years making a significant contribution in making Aitken Spence a leading player in the development of resorts both in Sri Lanka and Maldives.

He is acknowledged for the pivotal role played in the development of sustainable tourism and especially for his leadership in developing the renowned Kandalama Hotel which has won many global accolades for its contribution to environmental management, food and beverage excellence and service standards of a truly exceptional nature. These attributes signaled the entry of Sri Lanka's tourism to the world map of the hospitality industry.

He led the pioneering effort of large-scale expansion to the Republic of Maldives in early '90s and this regional development contributed exceptionally to the overall profile and growth of Aitken Spence.

Mr. Prema Cooray was awarded the "Legend of Tourism" by the Ministry of Tourism in 2011. He is the Past President of the Tourist Hotels Association of Sri Lanka (1998-2000) and was the Chairman of the Sri Lanka Convention Bureau (2007-2009 & 2015-2017). He also served as the Secretary-General/ CEO of the Ceylon Chamber of Commerce (2003-2008).

He chairs a rainforest initiative in Sinharaja partnered by the private sector which benchmarks the best practices of Eco Tourism development in Sri Lanka. He is also a director of Fort Hotels Group representing three hotels and also of Lighthouse Hotel PLC. In the previous year he was appointed as a Director/CEO of Biodiversity Sri Lanka an organization supported by the Private Sector promoting Sri Lanka's Biodiversity.

Mr. Cooray has an MBA from the University of Sri Jayawardenepura, is a Certified Management Accountant and he is also a Member of the Institute of Hospitality, UK.

### Mr. Dilith Jayaweera

Mr. Dilith Jayaweera is a leading entrepreneur in Sri Lanka with interests in several key economic sectors and named one of LMD's Ten Business people of the Year 2011. Mr. Jayaweera began his foray into the Sri Lankan business landscape with the establishment of Triad – a small advertising agency – in 1993. Epitomizing the spirit of the new generation of Sri Lankan entrepreneurs, less than two decades later Mr. Jayaweera's vision and entrepreneurship have driven Triad to become the largest and most awarded Sri Lankan communication powerhouse extensively diversified to offer integrated communication solutions.

Mr. Jayaweera is Group Chairman of George Steuart & Co. Ltd., Sri Lanka's oldest mercantile establishment, and also the Chairman of Powerhouse (Pvt) Ltd., the holding company of Sri Lanka's premium entertainment offering, TV Derana and FM Derana.

An Attorney-at-Law by profession, Mr. Jayaweera holds an LLB from the Faculty of Law, University of Colombo, and a MBA from the University of Wales.

### Mr. Sarva Ameresekere

Mr. Sarva Ameresekere is Director/CEO of the Triad Group, one of Sri Lanka's leading communication clusters. Triad together with its group of companies offer clients a comprehensive integrated business solution including advertising, media, PR, publishing, event management, AV production and digital communication. Mr. Ameresekere is also involved in the macro management and strategic planning of a diversified portfolio of investments of the



group. Qualified in both business and engineering, he brings on board extensive local and foreign exposure including business, fund management, operations, research and analysis.

He holds a Masters in Engineering Management from the University of Southern California, Los Angeles and a Degree in Industrial and Operations Engineering from the University of Michigan, Ann Arbor.

### **Mr. Rajinda Seneviratne**

Mr. Rajinda Seneviratne's family established Reefcomber Hotel in Hikkaduwa in the 1980s which is currently known as Hikkaduwa Beach Resort PLC.

The family has diversified into trading in tea, packaging and warehousing through Corona T Stores Ltd and Mr. R. Seneviratne is the Managing Director of Corona T Stores Ltd.

### **Mr. Vasula Premawardhana**

Mr. Vasula Premawardhana was appointed to the Board of Citrus Leisure PLC with effect from 02nd May 2012. He is an accomplished professional with over 20 years of comprehensive management experience comprising local and international hands-on experience in the fields of Capital Markets and Risk Management.

Mr. Premawardhana is the Chief Executive Officer of Colombo Land & Development Company PLC and was appointed as an Executive Director with effect from March 2016. Further, he is a former Director of the Securities and Exchange Commission of Sri Lanka.

He holds an MA in Financial Economics from the University of Colombo and a BSc in Computer Science from the University of Southern California - USA.

# Management Discussion and Analysis

Citrus Hotels & Resorts operates a chain of unique hotels and resorts renowned for magical experiences, authentic Sri Lankan hospitality and personalised service.

Citrus Waskaduwa is the Group's flagship resort; a 150 roomed five-star property situated along a 400m long beachfront that overlooks the Indian Ocean.

Citrus Hikkaduwa embodies the splendour of the Hikkaduwa beaches, providing guests with accessibility to its vibrant nightlife and many recreational activities.

Today, all these properties offer distinctive, memorable experiences that exemplify the essence of Sri Lankan hospitality in its purest form.

## Global Economy

In 2019, global GDP recorded a growth of 2.9% in comparison to 3.6% recorded in 2018. Trade policy uncertainty, geopolitical tensions, and country specific stress in key emerging market economies, in addition to weather related disasters in several regions considerably impacted global economic activity during the year. In advanced economies, growth slowed to 1.7% from 2.2% the previous year, reflecting the uncertainty associated with Brexit as well as weakened manufacturing activity in Germany; although USA recorded a growth of 2.3% supported by the fiscal stimulus offered during the year. Growth in emerging markets and developing economies moderated to 3.7% in 2019 from 4.5% the previous year, reflecting a structural slowdown in China as well as a deceleration in domestic demand in India.

## Sri Lankan Economy

Sri Lanka's economic growth continued to decelerate, with GDP recording a modest growth of only 2.7% in 2019 compared to the growth of 3.2% in 2018. Furthermore, the local economy faced significant challenges in 2019 due to escalating security concerns following the April terror attacks, the prolonged impacts of the political crisis in November 2018 as well as subdued global economic conditions.

The agriculture sector recorded a slower growth due to lower production in both tea and rubber, while the growth of the industrial sector increased due to improvements in mining, quarrying and construction sub-sectors.

As accommodation, trade and F&B services slowed down, the services sector recorded a sharp deceleration in growth after reaching a significant volatility in 2018.

Concurrently, the Sri Lankan Rupee remained relatively stable throughout 2019, appreciating by 1% against the US Dollar to close the year at Rs.189.63. Inflation levels meanwhile remained at single digit levels for the most part of 2019 reflecting weaker demand as economic activity moderated.

## Global Tourism

Globally 1.5 billion international tourist arrivals were recorded in 2019 with an increase of 4% in comparison to 2018. All regions recorded an increase in arrivals with the Middle East emerging as the fastest-growing region for international tourism arrivals in 2019, growing at almost double the global average (+8%) followed by Asia and the Pacific

(+5%). International arrivals in Europe and Africa (both +4%) increased in line with the world average, while the Americas displayed a growth of 2%.

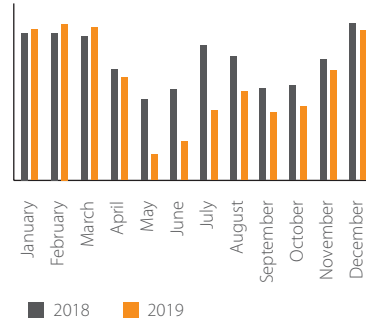
The COVID-19 pandemic has downgraded the prospects of the global tourism industry with the closing of hotels and travel restrictions implemented internationally.

Considerable challenges remain ahead, of which the most significant remain to be the unknown duration of the pandemic and international travel restrictions, in a context of global economic recession. As such, countries around the world are implementing a wide range of measures to mitigate the impact of the COVID-19 outbreak and to stimulate the recovery of the tourism sector.

### Tourism in Sri Lanka

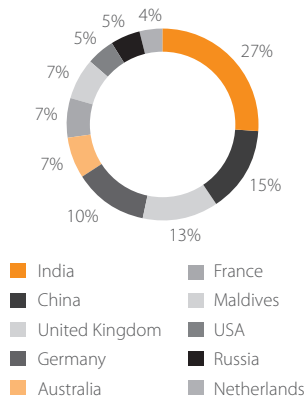
Due to the impact of the Easter Sunday tragedy, tourist arrivals decreased by 18% as against 2018 figures. The lowest tourist arrivals during 2019 were recorded in the months of May, June and July due to negative travel advisories imposed by key tourism source markets in the immediate aftermath of the April attack. However, guest arrivals began to pick up during the latter part of the year, displaying a continuous upward trend on future bookings. Hotel occupancy rates were in line with that of the previous year, primarily due to the support of local guest arrivals in the peak season of 2019.

### Tourist Arrivals 2018 & 2019



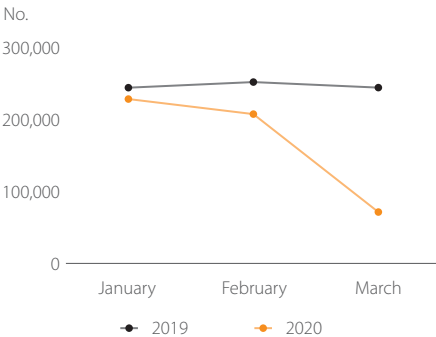
As shown below, the source markets of India, United Kingdom, China and Germany served as significant contributors to Sri Lanka's tourism industry, with India being positioned as the largest source market.

### Top Ten Markets 2019



## Management Discussion and Analysis

However, the number of guest arrivals in the first quarter of 2020 were once again tightened due to travel restrictions across the world, following the global outbreak of COVID-19. As described in the graph below, in January, arrivals fell by 6% to 228,434 and in February arrivals dropped by 17.7% to 207,507. In the month of March arrivals dropped by 71%, creating a massive blow to the market, by marking the highest percentage drop to occur within a single month in the recent past. Furthermore, Sri Lanka's suspension on all tourist arrivals and the closure of the airport in order to contain the spread of COVID-19 pandemic is yet to be lifted since its commencement in mid-March, making this the biggest interruption to the tourism industry in the country's history.



### Stakeholder Relationships

#### Investors

Investors serve as the life blood of the Group through the provision of financial resources essential to our continuity; and thus, Citrus keeps investors informed and engaged in the decisions and actions carried out by the Company. Investors meet with the management during the Annual General Meeting, providing periodic reports on financial performance

on an annual and interim basis, while engaging in regular communication wherever relevant—enabling the Company to maintain strong investor relationships.

Citrus considers it one of their primary duties to constantly improve performance so that the return to its investors through dividends and capital gains are always satisfactory.

#### Guests

Guests are at the heart of every operation Citrus undertakes, and exceeding guest expectations through exceptional service is how we make them experience the true sense of Sri Lankan hospitality. Our teams are continuously improving our services, to maintain high standards in all we do.

At Citrus, we are dedicated to expand our offering and facilitate an enjoyable, memorable and secure experience.

#### Employees

Employees play a critical role in Citrus' performance and growth, especially during the year under review, within which the Group was required to be responsive, and adapt to challenging environments.

Citrus values each one of its employees, and over the years has facilitated employee development with periodical performance appraisals—motivating and supporting employees to improve in areas the management considers important. Above-industry remuneration, training and development programmes, personal development and career progression opportunities, staff entertainment programmes and numerous other benefits have helped Citrus to retain the best talent in the industry.

### Regulatory Authorities

Compliance with regulations set out by relevant authorities is vital to ensure smooth operations, and at Citrus we consistently maintain existing regulations, while implementing new regulations as per authority guidelines.

By issuing annual and interim financial reports on time and participating in events organised to inform companies of new developments in regulations and compliance requirements, regulatory authorities are well informed of our current and future developments.

### Industry and Competitors

Citrus considers it a duty to contribute towards the tourism and hospitality industry of Sri Lanka, and practices fair competition, plays an active part in the organisations and associations in the industry, follows industry standards and norms, while helping the country achieve its goals in terms of tourism and hospitality.

### Suppliers

At Citrus, our supply chain has enhanced our performance through the years, and these collaborations are built upon mutual value and trust.

Each supplier is chosen through a systematized standard process after conducting stringent appraisals on several potential suppliers, a procedure which is integral to the performance of the Company. This has ensured the Group maintains sound communication and reliable contracts, while regularly monitoring products and material.

### Way Forward

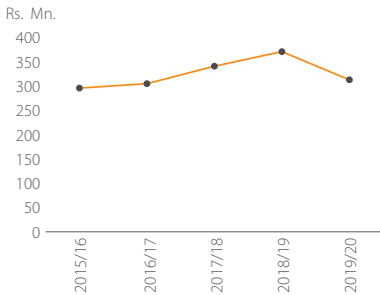
The resilience and support rendered by the authorities enabled the Sri Lankan tourism industry to remain resilient and gradually recover following the Easter Attacks in April 2019 and the COVID-19 pandemic in 2020. As the nation's industries faces numerous unprecedented economic impacts, the industry is recovering by realigning strategies to maximise its offerings to ensure business longevity.

As Citrus Hotels & Resorts continues to work closely with all our stakeholders, we are confident that our efforts and their impact will boost the market as well as the sector in the years ahead.

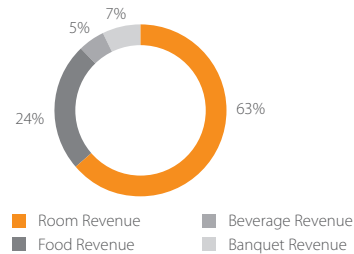
## Management Discussion and Analysis

### Financial Performance of the Company

#### Revenue

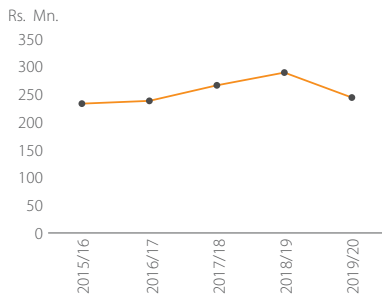


#### Revenue Composition



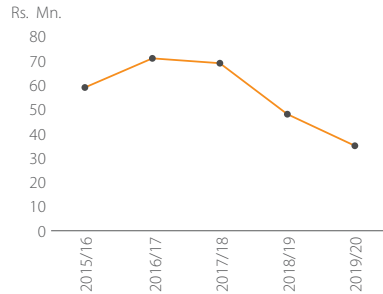
The hotel recorded revenue of Rs. 313 Mn for the financial year ended 31 March 2020, a decrease of 16% compared to last financial year. Performance of the Company reflected broad-based industry challenges, following the Easter Sunday terror attacks in April 2019 and the outbreak of COVID-19 in March 2020; resultantly, tourist arrivals into Sri Lanka declining by 29% in the 12 months to March 2020.

#### Gross Profit



Impact to the revenue for the year directly affected the Company's profit due to the offering of discounted prices that attracted local guests to the Hotels within a competitive market. However, the Company was able to manage the Gross Profit Ratio at 78%, the same Gross Profit Ratio in comparison to the GP of the previous year's 78%. Even amidst a challenging operating environment in the year under review, the Company performed considerably well.

#### Operating Profit



Despite the sharp decline in revenue the Company maintained a positive operating profit of Rs. 35 Mn during the year. Although there were two major setbacks during the year and the YoY occupancy recorded a 14% decline, there was a significant improvement during the second half of the year, where the occupancy drop was curtailed to 9% compared to a 30% decline during the first half. Hence, the Group was able to recover during the latter part of 2019/20.

Moreover, the administrative expenses decreased by 22% when compared with the previous year, reflecting every effort of the management to drive cost rationalization and productivity improvements.

#### Net Profit/ Loss

The company made Rs. 425 Mn net loss during the year 2019/20 compared to Rs. 121 Mn loss in FY 2018/19. The Impairment of Subsidiary amounting to Rs. 367 Mn mainly resulted this significant increase in net loss of the company. Please refer Note 20.1 in page 120 for the details of said impairment of subsidiary.

# Annual Report of the Board of Directors on the Affairs of the Company

The Directors of Hikkaduwa Beach Resort PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31st March 2020.

## General

The Company was incorporated under the Companies Act, No.7 of 2007 as a Limited Liability Company on 23rd February 2011. It obtained a listing for its shares on the Diri Savi Board of the Colombo Stock Exchange on 17th December 2012.

## Principal Activity

The principal activities of the Company are provision of food and beverage, lodging, and other hospitality industry related services.

## Financial Statements

The complete Financial Statements of the Company duly signed by two Directors on behalf of the Board are given on pages 58 to 155.

## Auditors' Report

The Report of the Auditors on the Financial Statements of the Company is given on pages 53 to 57.

## Accounting Policies

The accounting policies adopted by the Company in the preparation of financial statements are given on pages 66 to 95 and are consistent with those of the previous period.

## Directors

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

### Executive Director

Mr. D S Jayaweera

### Non-Executive Directors

Mr. S A Ameresekere

Mr. P V S Premawardhana

### Independent Non-Executive Directors

Mr. E P A Cooray

Mr. R Seneviratne

### Recommendation for re-election of Director who retire by rotation

Mr. P V S Premawardhana who retires by rotation in terms of Article 88 of the Articles of Association and being eligible is recommended by the Board of Directors for re-election.

### Re-appointment of a Director who is over 70 years of age

Mr. E P A Cooray who has attained 73 years of age and vacates office at the conclusion of the Annual General Meeting in terms of Section 210 of the Companies Act No.7 of 2007, is recommended by the Board, for re-appointment as a Director under Section 211 of the Companies Act, specially declaring that the age limit stipulated in Section 210 of the Companies Act shall not apply to the said Director.

### Directors of Subsidiary Company

#### Waskaduwa Beach Resort PLC

Mr. E P A Cooray

Mr. D S Jayaweera

Mr. R Seneviratne

Ms. V S F Amunugama

Mr. J M B Pilimatalawwe

Mr. S D De Mel

Mr. S A Ameresekere

## Annual Report of the Board of Directors on the Affairs of the Company

### Interests Register

The Company maintains an Interest Register in terms of the Companies Act No. 7 of 2007, which is deemed to form part and parcel of this Annual Report and is available for inspection upon request.

All related party transactions which encompass the transactions of Directors who were directly or indirectly interested in a contract or a related party transaction with the Company during the accounting period are recorded in the Interest Register in due compliance with the applicable rules and regulations of the relevant Regulatory Authorities.

The relevant interests of Directors in the shares of the Company as at 31st March 2020 as recorded in the Interests Register is given under Directors' shareholding.

### Directors' Remuneration

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

### Director's Interests in Contracts

Related party disclosures as required by the Sri Lanka Accounting Standards are detailed in Note 37 to the financial statements.

### Directors' Responsibility for Financial Reporting

The Directors are responsible for the Financial Statements of the Company to reflect a true and fair view of the state of its affairs. A further statement in this regard is included on page 18.

### Auditors

Messrs Ernst & Young, Chartered Accountants served as the Auditors during the year under review and also provided non audit/consultancy services.

A total amount of Rs. 880,885/- is payable by the Company to the Messrs Ernst & Young for the year under review comprising Rs. 680,000/- as audit fee and Rs. 200,885/- as taxation fee respectively.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 8th December 2020 recommended that they be re-appointed as Auditors. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

### Stated Capital

The Stated Capital of the Company as at 31 March 2020 was Rs. 4,624,023,566/- representing 284,898,354 ordinary shares (Rs. 4,311,571,166 /- representing 204,782,354 ordinary shares as at 31st March 2019).

### Directors' Shareholding

Directors' interest in the shares of the Company as at 31st March 2020 and 31st March 2019 were as follows:

	As at 31.03.2020	As at 31.03.2019
Mr. E P A Cooray	333,334	333,334
Mr. D S Jayaweera	Nil	Nil
Mr. S A Ameresekere	Nil	Nil
Mr. P V S Premawardhana	Nil	Nil
Mr. R Seneviratne	212,749	212,749

### Major Shareholders, Distribution Schedule and other information

Information on the distribution of shareholding, analysis of shareholders, market values per share,



earnings per share, net assets per share, twenty largest shareholders of the Company, percentage of shares held by the public as per the Listing Rules of the Colombo Stock Exchange are on pages 158 to 160 under Shareholders' Information.

### Employment Policy

The Company's employment policy is totally non-discriminatory which respects individuals and provides career opportunities irrespective of the gender, race or religion. As at 31st March 2020, 150 persons were in employment (163 persons as at 31st March 2019).

There were no material issues pertaining to employees and industrial relations during the financial year.

### Statutory Payments

The Directors confirm that to the best of their knowledge, all payments in respect of statutory liabilities including EPF, ETF and PAYE tax have been made within the stipulated periods during the financial year.

### Reserves

The reserves of the Company with the movements during the year are given on page 63 in the Financial Statements.

### Land Holdings

The Company holds a freehold lands of 9,360 perches as stated in Notes 14 and 15 to the Financial Statements.

### Property, Plant & Equipment

Details and movements of property, plant and equipment are given under Note 14 to the Financial Statements on pages 105 to 113.

### Investments

Details of the Company's quoted and unquoted investments as at 31st March 2020 are given in Notes 19, 20 and 23.1 to the Financial Statements.

### Material Foreseeable Risk Factors

As part of the governance process, the Board on a continuous basis reviews and takes any measures and evaluates the internal controls and risks of the Company and takes any measures required to mitigate the Risk.

### Donations

The Company made donations amounting to Rs. 66,119/- in total, during the year under review.

### Dividends

Directors do not recommend a dividend for the year under review.

### Corporate Governance

The Board of Directors confirm that the Company is compliant with the Code of Best Practices in Corporate Governance 2017 & CSE's New Listing Rules- Section 7.10, Rules on Corporate Governance.

The report on Corporate Governance is given on pages 19 to 43 of the Annual Report.

### Related Party Transactions

The Directors declare that the Company is in compliance with Rule 9 of the Listing Rule of Colombo Stock Exchange pertaining to Related Party Transactions during the financial year ended 31st March 2020.

## Annual Report of the Board of Directors on the Affairs of the Company

### Events after the Reporting Date

Events after the reporting date are disclosed under Note 35 to the Financial Statements on page 144.

### Group Debt Restructuring and Rights Issue of Ordinary Voting Shares

Pursuant to the Rights Issue of Shares approved by the shareholders at the Extraordinary General Meeting held on 8th April 2019, 80,116,000 Ordinary Voting Shares were allotted on 10th May 2019, of which 80,063,161 shares were allotted to Citrus

Leisure PLC, thereby converting the restructured debt Rs.312,246,328/- that was payable to Citrus Leisure PLC by the Company.

The cash subscription received of Rs.206,072.10 in respect of 52,839 shares was utilised to reduce the debt owed to Nations Trust Bank on 04th June 2019.

The new 80,116,000 Ordinary Voting Shares were listed on the Colombo Stock Exchange on 23rd May 2019.

### Status of utilization of the proceeds of the Rights Issue as at 31st March 2020 is set out below :

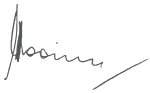
Objective	Objective As per Circular	Amount Allocated as per Circular	Proposed Date of Utilisation as per Circular	Amount Allocated from proceeds (A) Rs.	% of Total Proceeds	Amount Utilised in (B) Rs.	% of Utilise against allocation (B/A)
(i) Settle the loan payable to Citrus Leisure PLC	Settle the loan payable to Citrus Leisure PLC	Upto not less than Rs.243,352,582/20 as entitlement and not exceeding Rs. 312,246,328.00	Immediately upon the conclusion of the Right issue	312,246,328	100%	312,246,328	100%
(ii) Settle the Nations Trust bank Permanent Overdraft	Settle the Nations Trust bank Permanent Overdraft	Not exceeding Rs.76,107,891/60 dependent on the extent of subscription received from shareholders other than REEF	Immediately upon the conclusion of the Right issue	206,072.10	100%	206,072.10	100%

### Annual General Meeting

The Annual General Meeting of the Company will be held at Sri Lanka Foundation, Lecture Hall 03, No. 100, Sri Lanka Padanama Mawatha, Independence Square, Colombo 07 on 06th January 2021 at 10.15 am.

The Notice of the Annual General Meeting is on page 162 of this Report.

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



**E P A Cooray**  
Chairman



**S A Ameresekere**  
Director



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

8th December 2020  
Colombo

## Statement of Directors' Responsibility

The Directors are required by the Companies Act, No.7 of 2007 to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company as at the end of the financial year and the income and expenditure of the Company for the financial year.

The Directors are also responsible to ensure that the financial statements comply with the regulations made under the Companies Act No. 7 of 2007, which specifies the form and content of financial statements and any other requirements which apply to the Company's financial statements under any other law.

The Directors ensure that the financial statements presented in this Annual Report have been prepared using appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates and in compliance with the Sri Lanka Accounting Standards ("SLFRS"s and "LKAS"s) issued by the Institute of Chartered Accountants of Sri Lanka, the Companies Act, No.7 of 2007 and the Sri Lanka Accounting and Auditing Standards Act No.15 of 1995.

The Directors are responsible for ensuring that the Company keeps sufficient accounting records, which discloses the financial position of the Company with reasonable accuracy, which will enable them to have the financial statements prepared and presented as aforesaid.

They are also responsible for taking measures to safeguard the assets of the Company and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to prevention and detection of fraud and other irregularities.

The Directors are also confident that the Company has adequate resources to continue in operation and have applied the going concern basis in preparing the financial statements.

The Board of Directors is of the opinion that it has discharged its responsibilities as set out above.

By Order of the Board of  
**Hikkaduwa Beach Resort PLC**



**P W Corporate Secretarial (Pvt) Ltd**

8th December 2020  
Colombo

# Corporate Governance

## Our Governance Framework

### Regulatory Framework/ Assurance

Companies  
Act No. 7 of 2007

Listing Rules of the Colombo  
Stock Exchange (CSE)

Code of Best Practices on  
Corporate Governance issued  
jointly by SEC and ICASL

Sri Lanka Accounting  
Standards (SLFRS/LKAS)

Corporate Governance (CG) is a framework of rules and practices by which an organisation is directed, controlled and managed. Our CG framework provides an overview of the Corporate Governance structures, principles, policies and practices of the Board of Directors of Hikkaduwa Beach Resort PLC (CITH). At CITH, the approach to CG is guided by ethical culture, stewardship, accountability, independence, continuous improvement, oversight of strategy and risk. The fundamental relationship among the Board, Management, Shareholders and other Stakeholders is established by our governance structure, through which the ethical values and corporate objectives are set and plans for achieving those objectives and monitoring performance are determined.

To serve the interests of shareholders and other stakeholders, CITH's Corporate Governance system is subject to ongoing review, assessment and improvement. The Board of Directors proactively adopts good governance policies and practices designed to align the interests of the Board and Management with those of shareholders and other stakeholders and to promote the highest standards of ethical behaviour and risk management at every level of the organisation. Further, the Board considers good governance practices to be precedent and endeavours to go beyond the legal requirement by implementing international best CG practices and stakeholder engagement, ensuring high standards of professionalism and ethics.

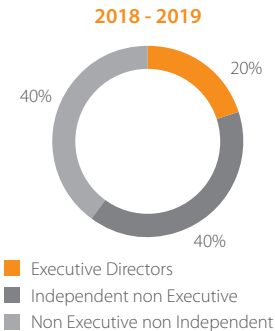
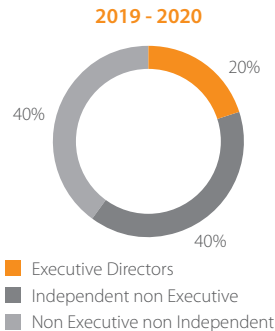
The Board provides strategic leadership and guidance and sets the tone to ensure that the development of the Company is based on values. We believe that our values are the driving force across the Group and is our guiding force for good governance.

## Corporate Governance

### Board of Directors

The Board of Directors is committed to maintain the highest standards of corporate governance and ethical business conduct in the operations and decision making process. In this regard, the Board

of Directors is responsible for the governance of the Company while the shareholders role in governance is to appoint the Directors and the Auditors to satisfy themselves that an appropriate governance structure is in place.



Board composition and Directors Independence as at 31st March 2020.

Name of Director	Status of Director	Shareholding
Mr. E. P. A. Cooray	Chairman and Independent non Executive Director	Yes
Mr. D. S. Jayaweera	Executive Director	No
Mr. R. Seneviratne	Independent non Executive Director	Yes
Mr. P. V. S. Premawardhana	Non Executive non Independent Director	No
Mr. S. A. Ameresekere	Non Executive non Independent Director	No

### Directors Responsibility for the preparation of the Financial Statements

The Board of Directors accepts the responsibility for the preparation of the financial statements, maintaining adequate records for safeguarding the assets of the Company, and preventing and detecting fraud and/or other irregularities. The Board of Directors also confirm that the applicable Sri Lanka Accounting Standards have been adhered

to, subject to any material departures being disclosed and explained in the notes to the financial statements.

The Board of Directors further confirm that suitable accounting policies consistency applied and supported by reasonable and prudent judgment and estimates, have been applied in the preparation of the financial statements.

### Compliance regarding Payments

The Board of Directors confirm that all known statutory payments have been paid up to date and all retirement gratuities have been provided for in the financial statements. At the same time, all management fees and payments made to related parties have been reflected in the financial statements.

### Internal Control

The Board is responsible for ensuring that the Company has adequate and effective internal controls in place.

### Stakeholders

The Board is conscious of its relationship with all stakeholders including the community within which it operates with sustainable and eco-friendly practices. The hotels enhance and uplift staff standards and morale through regular training and improved facilities. This facilitates improvement in service levels, thereby enriching guest experience. Satisfied guests, apart from providing repeat business, also act as ambassadors for the hotels.

### Going Concern

The Board of Directors is satisfied that the Company is a going concern and has adequate resources to continue in business for the foreseeable future. For this reason, the Company follows the "going concern" basis when preparing financial statements.

### Board Meetings

The Board meets regularly to discharge their duties effectively. The Board's functions include the assessment of the adequacy and effectiveness of internal controls, compliance with applicable laws and regulations, review of management and operational information, adoption of annual and interim accounts before they are published, review of exposure to key business risks, strategic direction of operational and management units, approval of annual budgets, monitoring progress towards achieving the budgets, approvals relating to key appointments, sanctioning major capital expenditure etc.

The attendance at the Board meetings held during the financial year 2019/20 is given below.

Name of Director	5/29/2019	7/12/2019	8/13/2019	10/24/2019	11/14/2019	1/24/2020	2/14/2020	Meetings Attended	Percentage Attended
Mr. E. P. A. Cooray	✓	✓	-	✓	✓	✓	✓	6/7	86%
Mr. D. S. Jayaweera	✓	-	✓	✓	✓	-	✓	5/7	71%
Mr. R. Seneviratne	✓	✓	-	✓	-	✓	✓	5/7	71%
Mr. P. V. S. Premawardhana	✓	✓	✓	✓	✓	✓	✓	7/7	100%
Mr. S. A. Ameresekere	✓	✓	✓	✓	✓	✓	✓	7/7	100%

## Corporate Governance

Compliance with the Code of Best Practices in Corporate Governance 2017 and CSE's New Listing Rules- Section 7.10, Rules on Corporate Governance.

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
The Board	A.1	7.10.1(a) / 7.10.2(a)	Compliant	<p>Hikkaduwa Beach Resort PLC is headed by an effective board, which is responsible for the leadership, stewardship and governance of the Company. The Board of Directors comprises of,</p> <ul style="list-style-type: none"> <li>• One Executive Directors (ED)</li> <li>• Two Non-Executive Independent Directors (NED/ID)</li> <li>• Two Non-Executive Non Independent Director (NED/NID)</li> </ul>
Board Meetings	A.1.1		Compliant	<p>Seven (7) Board meetings were held during the year and the Company is compliant with the Code of Best Practice as the Board has met in every quarter of the financial year 2019/20. The Board meets as a practice as and when required. Agendas and papers are circulated in advance to enable informed deliberation at meetings and decisions are made by consensus. The Board met on key matters of importance to the Company, including the approval of strategic and operating plans, capital expenditure, financial statements by giving due attention to accounting standards and policies, ensuring compliance with legal and ethical standards, ensuring effective risk management and audit systems and addressing matters that have a material effect on the Company</p> <p>Regularity of board meetings and the process of submitting information have been agreed and documented by the Board. Information reported on regular basis includes; but not limited to,</p>



Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
				<ul style="list-style-type: none"> <li>• Financial and operating results for each quarter.</li> <li>• Key Performance Indicators.</li> <li>• Financial performance compared to previous periods and budgets.</li> <li>• Forecasts for the future period.</li> <li>• Statutory compliance.</li> <li>• Management Audit Report and Internal Audit Scope.</li> <li>• Details of Related Party Transactions.</li> <li>• Capital Expenditure Schedules</li> </ul>
Board Responsibilities	A.1.2		Compliant	<p>The Board of Directors of Hikkaduwa Beach Resort PLC bears the responsibility for providing strategic direction, achieving objectives, responsible corporate behaviour, risk management, utilisation of resources responsibly, for ensuring leadership through effective oversight and review, while setting the strategic direction and delivering sustainable shareholder value over the long term. The Board seeks to achieve this through setting out its strategy, monitoring its strategic objectives and providing oversight of its implementation by the management team.</p> <p>In establishing and monitoring its strategy, the Board considers the impact of its decisions on wider stakeholders including employees, suppliers and the environment. Effective Corporate Governance is central to the Group's ability to operate successfully and as a Board, we take seriously our responsibility for setting high standards of accountability and ethical behavior. In performing its role, the Board is responsible for,</p>

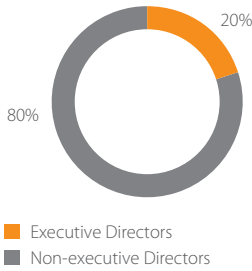
Corporate Governance

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
				<ul style="list-style-type: none"><li>• Providing the leadership for formulation and implementation of an effective business strategy, by emphasizing on sustainable development in corporate strategy, decisions and business activities, while ensuring all stakeholder interests are considered in corporate decisions. Also, approving budgets and major capital expenditure and establishing a process of monitoring and evaluating strategy implementation, budgets, plans and related risks.</li><li>• Ensuring that the CEO and the Management Team possesses sufficient skills, competencies, experience and knowledge to implement company strategies.</li><li>• Ensuring that the business practices are in compliance with the laws, regulations and Company's code of ethics.</li><li>• Establishment of effective internal controls, risk management and business continuity practices, ensuring that the adoption of appropriate accounting policies and compliance with financial regulations and establishment of a process for corporate reporting.</li><li>• Reviewing, monitoring and taking corrective action with regard to the achievement of the corporate strategies.</li></ul> <p>Key decisions are reserved for the Board's approval and are not delegated to management. These include matters relating to the Group's strategy, approval of major acquisitions, disposals, capital expenditure, financial results and overseeing the Group's systems of internal control, governance and risk management. The Board delegates certain responsibilities to the management, to assist it in carrying out its functions of ensuring independent oversight.</p>

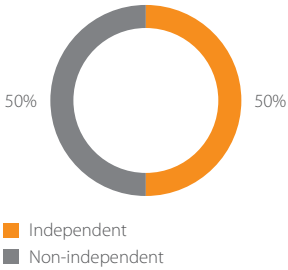
Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
Compliance with Laws and access to Professional Advice	A.1.3		Compliant	<p>The Board acts in conformity with the laws of the country and the Board and the Audit Committee is tabled a compliance statement on statutory requirements on quarterly basis at the Board and Audit Committee meeting.</p> <p>The Board of Directors are provided with the opportunity of seeking professional advice at the expense of the Company, whenever it is necessary; with regard to certain technical matters and other business affairs ensuring that the Directors possess sufficient knowledge and experience in making high quality and independent decisions.</p>
Company Secretary	A.1.4		Compliant	<p>P W Corporate Secretarial (Pvt) Ltd., functions as Secretaries to the Board. They ensure that appropriate Board processes are adopted, Board procedures and applicable rules and regulations adhered to and details and documents are made available to the Directors and Senior Management for effective decision making at the meetings. Further the Company Secretary acts as the mediator between Directors, Auditors and Sub-committees of the Board facilitating the communication and information flow among above parties.</p>
Directors' Independence	A.1.5		Complaint	<p>The objectivity and independent judgment in all decisions of the Directors are established by ensuring that the Board acts unrestrictedly from undue influence of other parties or circumstances.</p>
Adequate time and effort from Directors	A.1.6		Compliant	<p>The Board of Directors dedicates adequate time and effort to discharge their duties and responsibilities owed to the Company. The Board papers are distributed to the Directors ahead of the meetings, providing the opportunity to call for additional information and clarifications before the meeting.</p> <p>The Board has delegated the authority of directing the routine operations of the Company to the Executive Directors/CEO of the Company.</p>

## Corporate Governance

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
Call for resolution to be presented	A.1.7		Compliant	A Director may and the secretary on the requisition of a Director shall, at any time summon a meeting of the Directors.
Training for Directors	A.1.8		Compliant	Existing Directors are encouraged to improve their knowledge base and skills on a continuous basis and the newly appointed Directors are introduced to the Board and the Senior Management after induction sessions are conducted on Governance Framework, Company's culture and values, business model and strategy, duties and responsibilities of the Directors, current laws and regulations applicable to the tourism and hotel industry and important matters that were discussed during prior meetings.
The Role of the Chairman and Chief Executive Officer (CEO)	A.2: & A.3		Compliant	There is a clear separation between the role of the Chairman and the CEO, with regard to the duties and responsibilities ensuring a balance between the power and authority and that no one individual has unfettered powers of decision making. The Chairman has the authority over the Board proceedings whereas the CEO is in charge of the day-to-day operations of the Company.  The Chairman preserves the effective performance of the Board and facilitates the effective discharge of Board functions by ensuring that Board proceeding are carried out in proper manner.
Financial Acumen	A.4		Compliant	The Chairman of the Company is a Certified Management Accountant and with extensive knowledge and experience in financial matters. In addition, the rest of the Board members sufficiently possess knowledge on financial matters, based on experience gathered in their respective fields.

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
Board Balance	A.5		Compliant	<p>The Board comprises of an Executive Director and four non-executives Directors out of which two are Independent Directors and two non-independent Directors ensuring that no individual or small group can dominate the Board's decisions.</p>  <p>20%</p> <p>80%</p> <p>Executive Directors</p> <p>Non-executive Directors</p>
Non-executive Directors with sufficient calibre	A.5.1		Compliant	<p>The present composition of the Board is at a healthy balance between executive expediency and independent judgment. The Board is comprised of experienced and influential individuals with diverse backgrounds and expertise. Their mix of skills and business experience is a major contributor to the proper functioning of the Board and its committees. The Non-executive Directors possess vast experience in business and strong financial acumen, through their membership on external boards, and thereby are able to assess the financial reporting systems and internal controls, review and suggests any changes in keeping with best practice.</p>

## Corporate Governance

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
Number of Independent Directors	A.5.2		Compliant	<p>The Board of Directors of the Company comprises four non-executive Directors out of which two are Independent and this ratio was maintained throughout the year.</p>  <p>50% 50%</p> <p>■ Independent ■ Non-independent</p>
Independence of Non-Executive Directors	A.5.3, A.5.4 & A.5.5	7.10.2(b) Available with Secretaries 7.10.3 (a),(b) & (c) 7.10.4 (a-h)	Compliant	<p>The presence of Non-Executive Independent Directors enables independent judgment. None of the Independent Directors have held executive responsibilities in their capacity as Independent Directors and have submitted a declaration confirming their independence as at 31st March 2020 in accordance with Section 07 of the CSE listing regulations on Corporate Governance. The biographical details of the Directors are set out on pages 6 to 7 of this report.</p>
Alternative Director	A.5.6		Not Applicable	<p>This principal is not applicable as an Alternate Director has not been appointed during the finance period 2019/20.</p>
Senior Independent Director	A.5.7 & A.5.8		Not Applicable	<p>This principal is not applicable as the Chairman is an Independent Non-executive Director.</p>
Interactions between the Chairman and Non-executive Directors	A.5.9		Compliant	<p>The Chairman holds meetings with the Non-executive Directors, without the presence of the Executive Directors as and when necessary.</p>

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
Minutes on Directors concerns	A.5.10		Compliant	Any concerns of Directors on matters of the Company that cannot be unanimously resolved will be recorded in Board Minutes, as and when such concern arises.
Supply of Information	A.6		Compliant	The Board is provided with timely information on a regular basis as well ad hoc reports and information as and when it is requested from the management.
Provision of adequate information on a timely basis to the Board	A.6.1 & A.6.2		Compliant	The minutes, agenda and the Board papers required for the Board meetings are provided to the Directors at least seven days before the meeting and management is obliged to provide the Board with relevant and timely information for effective decision making. Directors are also provided the opportunity to make enquiries from industry experts and professionals, senior management, auditors, central internal departments and the Company Secretary for further details and information as and when necessary.
Appointments to the Board	A.7	7.10.3 (d)	Compliant	Hikkaduwa Beach Resort PLC has a formal and transparent procedure for the appointment of Directors to the Board.
Nomination Committee & annual assessment of Board composition	A.7.1 & A.7.2		Compliant	The Company does not have a separate committee for nomination.  However, the existing Board Members function in a manner that is similar to a formally appointed Nomination Committee in matters concerning new appointments to the Board.
Disclosure of new Board Appointments	A.7.3		Compliant	Shareholders must formally approve all new appointments at the first opportunity after their appointment, as provided by the Articles of Association of the Company; subsequently to the submission of a brief resume, nature of expertise, details about directorships in other companies, and the independence of a new Director, to the shareholders.


## Corporate Governance

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
Re-election	A.8		Compliant	At each AGM one third of the Directors shall retire excluding the Director appointed to the office of Chairman, Deputy Chairman, Chief Executive, Managing or Joint Managing Director, or other Executive Officer and eligible for re-election.
Approval from shareholders for election and re-election of Directors	A.8.1 & A.8.2		Compliant	All Directors including the Chairman over the age of seventy years and the Directors retiring by rotation in terms of the Articles of Association of the Company, submit themselves to be re-elected at the AGM to be held on the 6th January 2021 by the shareholders and the proposals for re-election are specified in Notice of Meeting section on page 162.
Resignation	A.8.3	Not Applicable		There has not been a resignation of a Director during the year 2019/20.
Appraisal of Board Performance	A.9	Compliant		Performance of the Board is evaluated from time to time with at least once a year to ensure that responsibilities are satisfactorily discharged. Appraisal of Board performance is usually coordinated by the Company Secretary and overseen by the Chairman.
Annual appraisal of Board performance and declaration of basis of performance	A.9.1, A.9.2, A.9.3 & A.9.4	Compliant		<p>Every year, the performance review provides the opportunity to reflect on the effectiveness of Board activities, the extent of deliberations, the quality of decisions and each Director's performance and contribution. The Board appraises their own performance based on the following aspects:</p> <ul style="list-style-type: none"> <li>• Strategic planning and risk management.</li> <li>• Effectiveness of decision making.</li> <li>• Succession planning.</li> <li>• Composition, skills, balance, experience and diversity.</li> <li>• Culture and quality of contributions.</li> </ul>



Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
				<ul style="list-style-type: none"> <li>Resources of meetings, agenda planning and quality of information and papers.</li> <li>Corporate Governance, regulatory compliance and support.</li> <li>Evaluation of individual performance and scope of improvement.</li> <li>Committee effectiveness and communication to the Board.</li> </ul>
Disclosure of information in respect of Directors	A.10	7.10.3.(a)	Compliant	Information in respect of Directors is specified in the pages 6 to 7 of this Annual Report.
Appraisal of CEO	A.11		Complied	Assessing the performance of the CEO.
Short, medium and long term objective and evaluation of CEO's performance	A.11.1 & A.11.2		Complied	The Board sets out the short, medium and long term, financial and non-financial objectives at the commencement of each financial year, and evaluates the performance of the CEO in respect of the achievement of such set targets.
Remuneration Procedure	B.1		Compliant	The Company has established a formal and transparent procedure for developing policy on executive and Directors' remuneration.
Remuneration Committee, its composition and access to professional advice on determining the remuneration of Executive Directors	B.1.1, B.1.2, B.1.3 & B.1.5	7.10.5, 7.10.5 (a) & 7.10.5(b)		Hikkaduwa Beach Resort PLC has established a formal and transparent procedure for determining the remuneration packages of the Directors, by delegating the responsibility and the authority to a sub-committee of the Board.

Corporate Governance

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details		
				<p>The Remuneration Committee of the Group consists exclusively of Non-Executive Directors as prescribed by the Code of Best Practice, out which of three Directors are Non-executive Independent Directors and two Non-executive Non-independent Director, namely:</p> <p>Mr. J M B Pilimatalawwe - (NED / NID) - Chairman Mr. S A Ameresekere - (NED /NID) Mr. E P A Cooray - (NED / ID) Mr. R Seneviratne - (NED / ID) Mr. S D de Mel. - (NED / ID)</p> <div><table><tr><td>60%</td></tr><tr><td>40%</td></tr></table><p>Independent Non-independent</p></div> <p>The Group Finance Manager assists the committee by providing the relevant information and participating in the analysis and deliberations, in addition to the consultations done by the Remuneration Committee from the Chairman, on proposals relating to the remuneration of Executive Directors. Further the Remuneration Committee is provided the access to professional advice on such proposal whenever it is necessary.</p> <p>The objective of the Remuneration Committee is to review and recommend the remuneration payable to the Executive Directors.</p> <p>The Remuneration Committee met four (4) times during the financial year.</p>	60%	40%
60%						
40%						

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
Executive Share Options	B.2.5		Not Applicable	This section is not applicable to the Group as, there were no share option schemes in effect during the financial period under review.
Remuneration Policy	B.2.6		Compliant	The details of the remuneration policy have been set out in the Remuneration Committee Report on pages 46 to 47.
Compensation on early termination	B.2.7 & B.2.8		Compliant	Compensation paid on early termination of Directors will be determined based on the initial contract/Articles of Association of the company, where the initial contract does not provide directions for compensation commitments.
Levels of remuneration for Non-executive Directors	B.2.9 / 2.10		Compliant	No payments has been made for any non-executive Director during the financial year.
Disclosure of Remuneration	B.3	7.10.5(c)	Compliant	The aggregate remuneration paid to Directors is disclosed on page 150 under the note 37.4 as a part of the financial statements of this report.
Constructive use of the AGM and General Meetings	C.1		Compliant	The Company uses the AGM to effectively communicate and enhance the relationship with shareholders.
Constructive use of the AGM and General Meetings	C.1.1 – C.1.5		Compliant	<p>The Shareholders have the right to voice their concerns to Board of Directors and exercise their votes at Annual General Meetings/ Extraordinary General Meetings of the Company. The notice of the meeting, a summary of the procedures governing the voting process at the meeting, and other relevant documents as required by the Companies Act No.07 of 2007 and Listing Rules of Colombo Stock Exchange are circulated to all the shareholders within the time frame stipulated in the relevant statutes.</p> <p>Separate resolutions shall be proposed for each substantially separate issue, including a resolution for the adoption of the report and the accounts.</p>

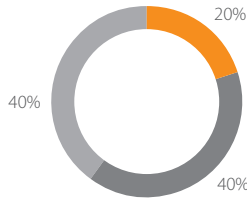
## Corporate Governance

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
"Communication with Shareholders"	C.2		Compliant	The Board has implemented effective communication with shareholders.
Communication with Shareholders	C.2.1 – C.2.7		Compliant	<p>P W Corporate Secretarial (Pvt) Ltd. functions as Secretaries of the Company, and the shareholders are provided a channel to communicate with the Board/individual Directors effectively via the Company Secretaries.</p> <p>All matters in relation to shareholders should be communicated to the Company Secretary.</p> <p>The Company Secretary shall maintain all correspondence with the shareholders and disseminate timely responses to the shareholders.</p>
Major and Material Transactions	C.3		Compliant	Refer the Related Party Transactions Review Committee Report on pages 48 to 50, and Note 37 of Notes to the Financial Statements.
Balanced and understandable presentation of Financial Statements	D.1.1		Compliant	<p>The Board is responsible for the preparation of Financial Statements that gives a true and fair assessment of the Company's financial, position, performance and prospects, in accordance with the Companies Act No. 07 of 2007, Sri Lanka Financial Reporting Standards (SLFRS)/Sri Lanka Accounting Standards (LKAS) and listing rules of the Colombo Stock Exchange.</p> <p>The Board is conscious of its responsibility to the Shareholders, the Government and the Society at large, in which it operates and is unequivocally committed to upholding ethical behaviour in conducting its business. The Board, through the Company's administrative and finance divisions, strives to ensure that the businesses of the Company and its subsidiaries comply with the laws and regulations of the country.</p>

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
The Board's responsibility on interim and other price sensitive public reports and reports to regulators	D.1.2		Compliant	The Board ensures that the Interim Financial Statements submitted to the CSE as per listing requirements and other public reports/reports submitted regulators present a balanced and understandable assessment of Company's performance.
Directors' responsibility for preparation and presentation of Financial Statements	D.1.3		Compliant	The Annual Report of the Directors as well as the Independent Auditors' Report declares the responsibility of the Board for the preparation and presentation of Financial Statements. The Consolidated Financial Statements of the company were audited by Messrs Ernst and Young, Chartered Accountants.
Annual Report of the Directors	D.1.4		Compliant	<p>The Annual Report of the Board of Directors sets out the,</p> <ol style="list-style-type: none"> <li>Compliance with laws and regulations.</li> <li>Directors' Interests have been disclosed in accordance with the provisions in the Companies Act No. 07 of 2007.</li> <li>Equitable treatment to shareholders.</li> <li>Directors have complied with best practices of Corporate Governance.</li> <li>Property, plant and equipment of the Company are reflected at their fair value.</li> <li>Appropriateness of the Company's Internal Control system.</li> <li>The business is a going concern.</li> </ol>

## Corporate Governance


Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
Responsibility of the Board for preparation and presentation of Financial Statements and Statement of Internal Controls	D.1.5		Compliant	The Audit Report in pages 53 to 57 contains a statement setting out that the Board is responsible for the preparation and presentation of Financial Statements and the Auditors responsibility in expressing an opinion on true and fair view of the above Financial Statements.
Management Discussion Analysis	D.1.6		Compliant	The “Management Discussion Analysis” of this Annual Report contain, among other issues;  Industry Review (Page 11) Risk Management (Pages 51 - 52) Stakeholder relationships (Pages 10 - 11) Financial Performance (Page 12) Prospect for the future (Page 11)
Serious loss of capital	D.1.7		Not Applicable	This principal is not applicable as the net assets of the Company remained higher than 50% of the value of the Company's shareholders' funds during the period under review.
Disclosure of Related Party Transactions	D.1.8		Compliant	The Related Party Transactions Review Committee, which is a subcommittee of the Board, is responsible for review and disclosure of Related Party Transactions.  <b>Related Party Transactions Review Committee</b>  The Related Party Transactions Review Committee consists of two non-executive Independent Directors, a executive director and two non-executive Non Independent Director and , namely:  Mr. E. P. A. Cooray - (NED / ID) - Chairman Mr. S. D. De Mel - (NED / ID) Mr. P. C. B. Talwatte - (ED) Mr. P. V. S. Premawardhana - (NED / NID) Mr. S. A. Ameresekere - (NED / NID)

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
				 <p> <span style="color: orange;">■</span> Executive Directors  <span style="color: grey;">■</span> Independent non Executive  <span style="color: lightgrey;">■</span> Non Executive non Independent         </p> <p>The Group Finance Manager assists the committee by providing the relevant information and participating in the analysis and deliberations.</p> <p>The objective of the Related Party Transactions Review Committee is to be consistent with the Code of Best Practices on Related Party transactions issued by the Securities &amp; Exchange Commission.</p> <p>A report of the Related Party Transactions Review Committee is given on pages 48 to 50.</p> <p>The Related Party Transactions Review Committee met four (4) times during the financial year.</p> <p>The Company maintains a Directors' Interest Register and all Directors of the Company have disclosed their interests in other Companies, conforming to the provisions of the Companies Act No. 07 of 2007. Further all related party transactions in accordance with Sri Lanka Accounting Standard 24 (LKAS 24) - Related Party Transactions are disclosed under Note no. 37 to the Financial Statements.</p>

## Corporate Governance

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
Risk Management & Internal Controls	D.2		Compliant	<p>The Board assesses financial and other business risks faced by the Company on a quarterly basis at the Board meetings and determines the necessary safeguards and internal controls that should be designed and implemented in order to provide a reasonable assurance of achieving Company's objectives.</p> <p>The Board Audit Committee is responsible to the Board for ensuring the effective operation of the system of internal controls to achieve objectives of the Company.</p>
Effective System of Internal Controls & Risk Management Process	D.2.1		Compliant	<p>The Internal Audit function of the Group is carried out by PricewaterhouseCoopers (Pvt) Ltd. (PwC). However, the Board is responsible for formulating and implementing appropriate systems of internal control for the Group and in turn assessing its effectiveness. The Group's Internal Auditors assists the Board of Directors and the Audit Committee in carrying out the above task. Any internal control system has its inherent limitations. The Board is aware of the inherent limitations and has taken appropriate steps to minimise same.</p>
Disclosure on Risk Assessment and Mitigation	D.2.2		Compliant	<p>The Audit Committee Report and Risk Management Report set in pages 44 and 51 respectively explains the risk assessment procedure, including those that would threaten its business model, future performance, solvency and liquidity; and specific risk mitigation strategies.</p>
Internal Audit Function & Audit Committee review of Internal Control System	D.2.3 & D.2.4		Compliant	<p>The Audit Committee oversees the Internal Audit Function of the Company by agreeing on an annual work plan, reviewing its performance and ensuring that the internal audit function has sufficient and appropriate resources to perform their duties effectively and efficiently in maintenance of a sound risk management process and internal control system.</p>



Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details						
Responsibilities of the Directors in maintaining a sound system of Internal Controls	D.2.5		Compliant	The “Statement of Directors Responsibility” on page 18 provides the declaration made by Directors accepting the responsibility to ensure that the Company is equipped with a sound system of internal controls.						
Audit Committee	D.3	7.10.6	Compliant	The Board has established a formal and transparent process of Financial Reporting, Internal Controls, Risk Management and maintaining a proper relationship with the Company's Auditors.						
Composition and the Duties of the Audit Committee	D.3.1 & D.3.2	7.10.6(a) , 7.10.6(b) & 7.10.6(c)	Compliant	<p>The Audit Committee comprises exclusively of Non-executive Directors out of whom three are Independent Directors and two are Nonindependent Director.</p> <p>The members of the Audit Committee are as follows:</p> <p>Mr. E. P. A. Cooray - (NED / ID) - Chairman Mr. R. Seneviratne - (NED / ID) Mr. S. D. De Mel - (NED / ID) Mr. P. V. S. Premawardhana - (NED / NID) Mr. S. A. Ameresekere - (NED / (NID)</p> <div><table><tr><th>Category</th><th>Percentage</th></tr><tr><td>Independent non Executive</td><td>60%</td></tr><tr><td>Non Executive non Independent</td><td>40%</td></tr></table><p>■ Independent non Executive ■ Non Executive non Independent</p></div> <p>The Audit committee focuses principally in assisting the Board to fulfill its duties by providing an independent and objective view of the financial reporting process, internal controls, risk review and the audit function.</p>	Category	Percentage	Independent non Executive	60%	Non Executive non Independent	40%
Category	Percentage									
Independent non Executive	60%									
Non Executive non Independent	40%									

## Corporate Governance

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
				<p>The Audit Committee is assisted by the Internal Audit. Internal Controls have been designed to ensure transparency and good governance within the Company. The committee is responsible for the consideration and recommendation of External Auditors. A report of the Audit Committee is given on pages 44 - 45.</p> <p>The Audit Committee met four (4) times during the year, holding one meeting per quarter according to a predetermined agenda.</p>
Disclosure of the names of the Audit Committee and the Audit Committee Report	D.3.3		Compliant	The names of Directors in the Audit Committee are disclosed in the D.3.1 section and the manner of compliance with the Code of Best Practice by the Company is set out in the Audit Committee Report on pages 44 - 45 of the annual report.
Best Practices on Related Party Transactions	D.4 & D.4.1		Compliant	The purpose of the Related Party Transactions Review Committee is to review all proposed Related Party Transactions other than those transactions explicitly exempted in conformity with the Listing Rules and LKAS 24 and to ensure that related parties are not granted "more favorable treatment".
Related Party Transactions Review Committee	D.4.2		Compliant	<p>The Related Party Transactions Review Committee consists of two Non-executive Independent Directors, a Executive Director and, two Non-executive Non Independent Director, namely:</p> <p>Mr. E. P. A. Cooray - (NED / ID) - Chairman            Mr. S. D. De Mel - (NED / ID)            Mr. P. C. B. Talwatte - (ED)            Mr. P. V. S. Premawardhana - (NED / NID)            Mr. S. A. Ameresekere - (NED / NID)</p>
Effectiveness of the Related Party Transactions Review Committee	D.4.3		Compliant	Refer the Related Party Transaction Review Committee Report for the purpose, responsibilities, authority, scope and objectives of Related Party Transaction Review Committee; set out in pages 48 to 50.

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
Adoption of Code of Business Conduct & Ethics and Chairman's affirmation	D.5 – D.5.4		"To be complied"	Adoption of a Code of Business Conduct and Ethics for Directors and members of senior management team is yet to be complied by the Company.
Corporate Governance Disclosure	D.6		Compliant	<p>The Corporate Governance section of the annual report from pages 19 - 43 sets out the manner and extent to which the company has adopted the principals and provisions of the Code of Best Practice on Corporate Governance.</p> <p>The Company ensures that all shareholder rights are properly observed. Permanent procedures are carried out in line with the rules and regulations of the Colombo Stock Exchange, as well as the related laws.</p>
Structured dialogue with shareholders	E.1.1		Compliant	A regular and structured dialogue shall be conducted with shareholders and the outcome of such dialogue should be communicated to the Board by the Chairman.
Evaluation of governance disclosures by institutional investors	E.2		Compliant	Institutional investors are being encouraged to consider the relevant factors drawn to their attention with regard to board structure and composition.
Investing/ Divesting Decision	F.1		Compliant	Individual shareholders are encouraged to carry out adequate analysis and seek professional advice when making their investment / divestment decisions.
Shareholder Voting	F.2		Compliant	Individual shareholders are encouraged to participate and exercise their voting rights.

## Corporate Governance

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
Board's responsibility on Cybersecurity	G.1		Compliant	The Board regularly monitors the latest developments in the field of IT and conducts discussions on how such developments can be utilized to enhance the efficiency and the effectiveness of the hotel operations and to enhance the guest experience. Further, the Board investigates on cybersecurity risks that may affect the business. Additionally, IT General and Application controls have been designed and implemented to ensure the security of confidential information.
Chief Information Security Officer (CISO)	G.2		Compliant	The Board has appointed an IT Manager located at the Head Office who is in charge of Cybersecurity Risk Management. IT Manager is a qualified IT professional and possesses necessary competence to ensure the Cybersecurity. The IT Manager provides necessary information with regard to Cybersecurity and is responsible for the development of IT Budget and Risk Management policies of the Company, which will subsequently be evaluated and approved by the Board to be implemented.
Board meeting agenda for discussions on cyber risk management.	G.3		Compliant	Relevant risks are set out in the Internal Audit Report and same is reported to the Audit Committee. High risk matters are referred to the Board for further actions.
Effectiveness of the Cybersecurity Risk Management System	G.4		Compliant	An annual information risk management audit is carried out by an independent third party, and identified issues are reported through the Management Letter.
Disclosure on Cybersecurity Risk Management	G.5		Compliant	Risk Management Report set in pages 51 - 52 provides a detailed explanation of cybersecurity risks faced by Hikkaduwa Beach Resort PLC and risk management strategies.
Environment, Society and Governance	H		To be complied	

## Statement of Compliance under Section 168 of Companies Act No. 7 of 2007

Principal	Description	Comment	Compliance Status
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**Section 168 – Contents of Annual Report**

(1) (a)	The nature of the business of the Group and the Company together with any change thereof during the accounting period	Notes to the Financial Statements	Complied
(1) (b)	Signed Financial Statements of the Group and the Company for the accounting period completed	Financial Statements	Complied
(1) (c)	Auditors' Report on the Financial Statements and any Group Financial Statements	Independent Auditors' Report	Complied
(1) (d)	Change in accounting policies made during the accounting period	Notes to the Financial Statements	Complied
(1) (e)	Particulars of entries in the interests register made during the accounting period	Annual Report of the Board of Directors	Complied
(1) (f)	Remuneration and other benefits of Directors during the accounting period	Notes to the Financial Statements	Complied
(1) (g)	Total amount of donations made by the Company during the accounting period	Annual Report of the Board of Directors	Complied
(1) (h)	Names of the persons holding office as Directors of the Company as at the end of the accounting period and the names of any persons who ceased to hold office as Directors of the Company during the accounting period	Board of Directors	Complied
(1) (i)	Amounts payable by the Company to the person or firm holding office as Auditor of the Company as audit fees and as a separate item, fees payable by the Company for other services provided by that person or firm	Notes to the Financial Statements	Complied
(1) (j)	Particulars of any relationship (other than that of Auditor) which the Auditor has with or any interests which the Auditor has in, the Company or any of its subsidiaries	Annual Report of the Board of Directors	Complied
(1) (k)	Be signed on behalf of the Board by two Directors of the Company	Financial Statements	Complied

# Audit Committee Report

The Audit Committee of Citrus Leisure PLC, the Parent Company functions as the Audit Committee of the Company.

The Audit Committee of Citrus Leisure PLC comprised of three Independent Non-Executive Directors and two Non-Executive Directors as follows.

## Independent Non-Executive Directors

Mr. E P A Cooray (Chairman)  
Mr. S D De Mel  
Mr. R Seneviratne

## Non-Executive Directors

Mr. P V S Premawardhana  
Mr. S A Ameresekere

## The Principal Responsibilities of the Audit Committee

The Audit Committee is empowered by the Board of Directors to examine all matters relating to the financial status of the Company, and its internal and external audits. The Committee pursues and promotes good Corporate Governance by actively creating awareness and providing advice to management on Risk Management, appropriate

internal control practices, and other related activities of the Company in compliance with the rules and regulations of the Colombo Stock Exchange. The proceedings of the Audit Committee are regularly reported to the Board of Directors through formal minutes.

## Operation of the Audit Committee

The Chairman of the Audit Committee is a Fellow Member of Institute of Certified Management Accountants of Sri Lanka. The Statutory Auditors, the Internal Auditors, Chief Executive Officer, General Managers of the Hotels, Group Finance Manager and Hotel Accountants attended these meetings of the Audit Committee at the invitation of the Chairman of the Audit Committee. Outsourced Internal Auditors (PricewaterhouseCoopers) are required to attend meetings on a regular basis.

The Company Secretary acts as Secretary to the Audit Committee. The members of the Audit Committee can, where they judge it necessary to discharge their responsibilities, obtain independent professional advice at the Company's expense. The Committee met five times during the financial year ended 31st March 2020.

Member's Attendance at the Audit Committee Meetings from 01.04.2019 to 31.03.2020

Name of the Director	2019				2020
	29.05.2019	13.08.2019	30.08.2019	14.11.2019	14.02.2020
Mr. E P A Cooray (Chairman)	√	-	√	√	√
Mr. S D De Mel	-	√	-	√	-
Mr. P V S Premawardhana	√	√	-	√	-
Mr. S A Ameresekere	√	√	√	√	√
Mr. R Seneviratne	√	-	√	-	√

## The Audit Committee's Duties include:

- Monitoring the financial reporting process.
- Monitoring the compliance with financial reporting requirements, information requirements of the Companies Act No. 07 of

2007 and other relevant financial reporting related regulations and requirements.

- Monitoring the statutory audit of the Group's Financial Statements.

- Reviewing the Group's Financial Statements and the material financial reporting judgments contained therein.
- Monitoring the effectiveness of the Group's Internal Control and Risk Management systems.
- Reviewing and monitoring the independence of the External Auditors and the provision of additional services to the Group.
- Advising the Board on the appointment and removal of the External Auditors and the remuneration and terms of engagement of the External Auditors.

### Internal Control and Risk Management

The Board is responsible for the Group's system of internal control and risk management and for reviewing its effectiveness. The Audit Committee monitors and reviews each year the effectiveness of, and the framework for, the Group's system of internal control and risk management. The Audit Committee undertook a review of the effectiveness of, and the framework for the Group's system of internal control and risk management, including financial, operational and compliance controls during the year. In addition to this review, the External Auditors and Internal Auditors provided the Audit Committee with comprehensive reports of the results of their testing of controls that were carried out as part of the external audit.

The Audit Committee also reviewed on a quarterly basis, the key risks that the Group faces and the actions being taken by the management to mitigate and manage them.

### Review of the Work of the External Auditors

Subject to the annual appointment of the External Auditors by shareholders, the Audit Committee regularly reviews the relationship between the Group and the External Auditors.

This review includes an assessment of their performance, cost effectiveness, objectivity and independence. The Audit Committee is responsible for ensuring that an appropriate relationship is maintained between the Group and the External Auditors.

The Group has implemented a policy of controlling the provision of non-audit services by the External Auditors in order to ensure that their objectivity and independence is safeguarded. The Audit Committee also continued with the appointment of other accountancy firms to provide certain non-audit services to the Group in connection with tax, other services and anticipates that this will continue in 2020/21.

The Audit Committee, having considered the External Auditors' performance during their period in office, recommends their re-appointment for the financial year ending 31st March 2021, subject to the approval of the shareholders at the next Annual General Meeting. A full breakdown of the audit and non-Audit related fees are set out in Note No 9 to the Consolidated Financial Statements on page 98.

This report was approved by the Board and signed on its behalf by:



**Prema Cooray**  
Chairman - Audit Committee

8th December 2020  
Colombo

# Report of the Remuneration Committee

The Remuneration Committee of Citrus Leisure PLC, the Parent Company functions as the Remuneration Committee of the Company.

The Remuneration Committee of Citrus Leisure PLC, appointed by and responsible to the Board of Directors, comprised of two Non-Executive Directors and three Independent Non-Executive Directors as follows.

## Non-Executive Directors

Mr. J M B Pilimalawwe (Chairman)

Mr. S A Ameresekere

## Independent Non-Executive Directors

Mr. E P A Cooray

Mr. R Seneviratne

Mr. S D De Mel

## Policy

The remuneration policy of the Company endeavours to attract, motivate and retain quality management in a competitive environment with the relevant expertise necessary to achieve the objectives of the Company. The Committee focuses and is responsible to ensure that the total package is competitive to attract the best talent for the benefit of the Company. The remuneration framework of the Company for the Chairman, Chief Executive Officer and Corporate Management is designed to create and enhance value to all stakeholders of the Company and to ensure alignment with the short and long-term interest of the Company and its Executives and in designing competitive compensation packages, the Committee consciously balances the short-term performance with medium to long-term goals of the Company.

## Scope

The Committee reviews all significant changes in the corporate sector in determining salary structures and terms and conditions relating to staff at Senior Executive level. In this decision making process, necessary information and recommendations are obtained from the Chief Executive Officer. The Committee deliberates and recommends to the Board of Directors the remuneration packages and annual increments and bonuses of the Chief Executive Officer, members of the Corporate Management and Senior Executive staff and lays down guidelines for the compensation structure for all Executive staff and overviews the implementation thereof. The Chief Executive Officer who is responsible for the overall management of the Company attends all meetings by invitation and participates in the deliberations except when his own performance and compensation package is discussed.

## Fees

None of the Non-Executive Directors receive a fee for attendance at Board Meetings. They do not receive any performance or incentive payment.

## Meetings

The Committee met four times during the financial year under review. A Report of decisions approved and recommended by the committee is reported to the Board of Directors.



Member's Attendance at the Remuneration Committee Meetings from 01.04.2019 to 31.03.2020

Name of the Director	2019			2020
	29.05.2019	13.08.2019	14.11.2019	14.02.2020
Mr. J M B Pilimatalawwe (Chairman)	√	√	√	√
Mr. E P A Cooray	√	-	√	√
Mr. R Seneviratne	√	-	-	√
Mr. S D De Mel	-	√	√	-
Mr. S A Ameresekere	√	√	√	√

### Professional Advice

The Committee has the authority to seek external professional advice on matters within its purview.

### Committee Evaluation

Self-Assessment by the Committee members was complied with at the commencement



**J M B Pilimatalawwe**  
Chairman - Remuneration Committee

8th December 2020  
Colombo

# Report of the Related Party Transactions Review Committee

The Related Party Transactions Review Committee of Citrus Leisure PLC, the Parent Company functions as the Related Party Transactions Review Committee of the Company.

## The Role and Responsibilities

The Related Party Transactions Review Committee ("the Committee") is tasked with reviewing all Related Party Transactions of the Company and ensuring that it complies with the Listing Rules of the Colombo Stock Exchange (CSE) and other relevant statutes and regulations. The Committee reviews and pre-approves all proposed non-recurrent Related Party Transactions of the Company. Further, the Committee reviews all recurrent Related Party Transactions on a quarterly basis and annually to ensure compliance with the limits and reporting guidelines specified by the Listing Rules of CSE.

## Related Party Transactions Review Committee Composition

The Committee comprises of one Executive Director and four Non-Executive Directors of whom two are Independent. The names of the members of the

Related Party Transactions Review Committee are as follows.

### Independent Non-Executive Directors

Mr. E P A Cooray - Chairman

Mr. S D de Mel

### Non-Executive Directors

Mr. P V S Premawardhana

Mr. S A Ameresekere

### Executive Director

Mr. P C B Talwatte

The Committee met four times during the financial year under review. The members of the management attend the meetings upon invitation to brief the Committee on specific issues.

Member's Attendance at the Related Party Transactions Review Committee Meetings from 01.04.2019 to 31.03.2020

Name of the Director	2019			2020
	29.05.2019	13.08.2019	14.11.2019	14.02.2020
Mr. E P A Cooray (Chairman)	√	-	√	√
Mr. S A Ameresekere	√	√	√	√
Mr. P V S Premawardhana	√	√	√	-
Mr. S D De Mel	-	√	√	-
Mr. P C B Talwatte	√	√	√	√

### Key Activities of the Related Party Transactions Review Committee During the Financial Year

- Review and pre-approve all non-recurrent related party transactions of the Company prior to approval by the Board of Directors.
- Review all related party transactions to ensure that they are in the best interests of the Company.
- Ensure that all reporting requirements of the CSE Listing Rules and other relevant statutes and regulations are met.
- Update the Board of Directors on the Related Party Transactions of the Company.
- Assess the adequacy of related party reporting systems along with the advice of the External and Internal Auditors.
- Ensure that all transactions with related parties are in the best interest of all shareholders and adequate transparency is maintained.
- Establish guidelines and policies for the management and reporting of related party transactions.

The Committee has reviewed all related party transactions during the period and has established that they are in the best interest of the Company and comply with all standards of best practice and reporting.

### Policies and Procedures

The Company maintains a Directors' Interest Register and all Directors of the Company have disclosed their interests in other Companies, conforming to

the provisions of the Companies Act No. 07 of 2007. Further all related party transactions in accordance with Sri Lanka Accounting Standard 24 (LKAS 24) – Related Party Transactions are disclosed under Note No. 37 to the Financial Statements.

### Key Management Personnel

The Board of Directors are designated as Key Management Personnel of the Company. The Committee ensures that no participants in the discussions of a related party transaction shall have a direct related party for that transaction. However, such persons may participate in the discussion for the sole purpose of providing information on such transactions.

### Declaration

Presented below a declaration of recurrent and non-recurrent related party transactions which required additional disclosures in the 2019/20 Annual Report under Colombo Stock Exchange Listing Rule 9.3.2.

#### • Non-Recurrent Related Party Transactions


There were no any non-recurrent related party transactions which required additional disclosures in the 2019/20 Annual Report under Colombo Stock Exchange Listing Rule 9.3.2(a).

#### • Recurrent Related Party Transactions

A declaration of recurrent Related Party Transactions during the year is given in below table.

## Report of the Related Party Transactions Review Committee

Name of the Related Party	Relationship	Nature of transaction	Aggregate Value of the Related Party Transaction	Terms and Conditions	Aggregate Value of Related Party Transactions as a % of Revenue
Waskaduwa Beach Resort PLC	Subsidiary	Funds received (loans obtained)	162,243,715	Interest is charge at AWPLR [six (06) months]	14%



**Prema Cooray**  
Chairman - Related Party Transactions Review Committee

8th December 2020  
Colombo

# Risk Management

Hikkaduwa Beach Resort PLC identifies that operating a business involves both risk and reward. The Group management believes that in order to ensure reward, risk needs to be managed effectively. The risk framework involves risk identification, risk assessment and risk mitigation. Risk is the probability of an undesirable outcome occurring due to a chosen activity or action.

The process of identifying potential risks and developing strategies to mitigate those risks is known as Risk Management. The benefit of identifying, managing and mitigating risks is immense for the diverse hospitality industry in which Group operates. Listed below are some of the risks and risk mitigation strategies used by Hikkaduwa Beach Resort PLC:

Risk	Mitigation Strategies
<b>1. Global Pandemic Outbreak</b> COVID-19 has had a material detrimental impact on our business, financial results and liquidity.	<ul style="list-style-type: none"> <li>Follow latest guidance and recommendations of government, global health agencies and public health officials on implementation of appropriate health and safety measures for staff and guests, to curb the spread of disease at Group properties.</li> <li>Loan moratoria in place for interest and capital repayment until March 2021 easing cash-flow constraints.</li> <li>Defer non-essential capital expenditures.</li> <li>The Board to monitor all possible cash flow positions and mitigating factors.</li> </ul>
<b>2. Safety at our Hotels</b> Safety of our guests and staff at our hotels is our number one priority	<ul style="list-style-type: none"> <li>Adhere to latest protocols on hygiene and cleaning at Group properties.</li> <li>Awareness training for COVID-19 for guests and staff guests.</li> <li>Closure of properties to minimise risk.</li> <li>Comprehensive health and safety policy framework with implementation responsibility at multiple levels.</li> <li>A strong safety culture at all hotels with regular fire drills, disaster recovery plans and high levels of risk awareness.</li> <li>Implementation of additional security checks prior to entry to our properties.</li> <li>Regular debriefing of staff on security related information.</li> </ul>
<b>3. Increasing competition</b> Increased number of hotels leading to intense competition and lower margins	<ul style="list-style-type: none"> <li>Brand development initiatives to enhance loyalty.</li> <li>Strengthened relationships with travel agents.</li> <li>Differentiated offerings in our properties.</li> </ul>

## Risk Management

Risk	Mitigation Strategies
<b>4. Retention of skilled talent pools</b> High staff turnover in key segments such as travels and hotels	<ul style="list-style-type: none"> <li>• Staff requested to work from home to minimise health risk.</li> <li>• Obtained loan moratoria to support cashflow until March 2021.</li> <li>• Comprehensive talent management programme to build talent pipelines including succession planning.</li> <li>• Updating Human Resources policies and practices cognizant to trends in the industry.</li> </ul>
<b>5. Interest Rate Risk</b> Exposure to movements in market interest rates related to borrowings	<ul style="list-style-type: none"> <li>• The Group's finance division continues to negotiate with banks and financial institutions to secure the best possible rates for the Group's borrowings and investments.</li> </ul>
<b>6. Reputation Risk</b> Social media has elevated this key risk for the hospitality industry as every guest and stakeholder is a potential influencer.	<ul style="list-style-type: none"> <li>• We were the first to offer our resort facilities at Citrus Waskaduwa to be used as a Quarantine Centre, creating a trend among our peers in the leisure sector.</li> <li>• Maintaining high standards of service at our hotels through investments in infrastructure and training of staff to deliver consistently positive guest experiences.</li> <li>• Monitoring social media and guest reviews on aggregator sites by a dedicated team.</li> <li>• A hospitality mindset supports our legacy and we are careful to nurture it through communication and a balanced assessment of performance.</li> </ul>
<b>7. Credit Risk</b> Risk of loss arising from debtors' inability to meet their financial obligations on time	<ul style="list-style-type: none"> <li>• Comprehensive credit policies and procedures are in place to verify the creditworthiness and determine the potential credit risk associated with a client.</li> </ul>
<b>8. Cyber Risk</b> All significant processes are supported by one or many Internet driven services	<ul style="list-style-type: none"> <li>• Well-defined group-wide cyber security incident response process.</li> <li>• Implementation of network protection technology to manage network perimeter defence, data loss, distributed denial of service attack, mobile devices and monitor suspicious cyber activities together with regular testing and verification of controls.</li> </ul>

# Independent Auditors' Report



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## TO THE SHAREHOLDERS OF HIKKADUWA BEACH RESORT PLC

### Report on the audit of the Consolidated Financial Statements

#### Opinion

We have audited the financial statements of Hikkaduwa Beach Resort PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2020, and the statement of profit and loss, Statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2020, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of

our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

## Independent Auditors' Report

Key Audit Matters	How our audit addressed the Key Audit Matters
<p><b>Impairment test of investment in associate</b></p> <p>Investment in associate of Rs. 2,217Mn represent 27% of Total Assets of the Group.</p> <p>As disclosed in Note 19, an impairment test was carried out by the management engaging an external valuer on having identified indicators of impairment.</p> <p>Management's assessment of the impairment of the said investment was significant to our audit because this process was complex and required significant management judgement, especially in relation to ascertaining the value a rational investor would place on a lease right held by the investee as disclosed in Note 19.</p>	<p>Our audit procedures focused on the fair value assessment performed by the external valuer engaged by the Group, and included the following;</p> <ul style="list-style-type: none"> <li>• We evaluated the competence, capability and objectivity of the independent external valuer engaged by the Group;</li> <li>• We engaged specialized resources to assist us in assessing the appropriateness of valuation techniques used and reasonableness of assumptions, estimates and significant judgments specifically those pertaining to lease rights held by the investee.</li> <li>• We engaged our legal professional to assist us in assessing the legal right held by the investee over the lease right, on the strength of which management in consultation with external valuer concluded that a rational investor would place a value for such rights.</li> </ul> <p>We have also assessed the adequacy of the disclosures made including sensitivities in Notes 5 and 19 to these financial statements.</p>
<p><b>Impairment Assessment of Cash Generating Units (CGU)</b></p> <p>The group has identified its hotel properties owned by Waskaduwa Beach Resort PLC and Hikkaduwa Beach Resort PLC as separate CGUs which represented 62% of total assets of the group.</p> <p>Management's assessment of the impairment of property, plant and equipment on the mentioned CGUs was significant to our audit because this process was complex and required significant management judgement. Furthermore, an increased risk of impairment was identified during the year owing to the leisure sector market outlook caused by the effects of COVID-19.</p>	<p>Our audit procedures included the following;</p> <ul style="list-style-type: none"> <li>• We obtained an understanding of the management's impairment assessment process and identified the significant assumptions and judgments used in such assessment.</li> <li>• We engaged specialized resources to assist us in assessing the reasonableness of the significant judgments, assumptions and estimates applied by the Group, particularly assumptions applied relating to forecasted revenue growth, margins, discount rates and terminal growth rates in the context of business plans developed by the Group as well as available market information.</li> </ul> <p>We also assessed the adequacy of the related financial statement disclosures as set out in Notes 5 and 14.</p>



Key Audit Matters	How our audit addressed the Key Audit Matters
<p><b>Management's Assessment of COVID-19 pandemic as it relates to the Group.</b></p> <p>Management has assessed the impact of the COVID-19 pandemic on its business and financial statements of the Group as disclosed in Note 2.1.1.</p> <p>Such events presented a unique set of circumstances, which preparers and those charged with governance must ensure are sufficiently disclosed in the financial statements.</p> <p>We considered such assessment especially considering the continuing impact of the COVID-19 pandemic as a key audit matter, since the leisure sector in which the Group operates was directly impacted and such represented a significant consideration for users of the financial statements.</p>	<p>Our audit procedures included the following;</p> <ul style="list-style-type: none"> <li>• We assessed the appropriateness of disclosures made in note 2.1.1. in the financial statements in the context of the Group's operations during the year.</li> <li>• We gained an understanding of Management's assessment of the impact of the COVID-19 pandemic on the operations of the Group and procedures adopted by the management to manage and mitigate the business interruptions.</li> <li>• We evaluated the Group's capability to meet its current operational obligations, via existing resources and access to funding.</li> </ul>

### Other information included in the Group's 2020 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially

misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of management and those charged with governance

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 determines 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

## Independent Auditors' Report

applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are 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 our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SLAuSs 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 SLAuSs, we exercise professional judgement and maintain professional skepticism throughout the audit. We 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 our opinion. The risk of not detecting a material misstatement resulting from fraud is higher

than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

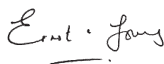
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse

consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 4107.



8th December 2020  
Colombo

Partners: W R N Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA W K B S P Fernando FCA FCMA  
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA  
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA Ms. P V K N Sajewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA  
Principals: G B Goudian ACMA A A J R Perera ACA ACMA T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

## Statement of Profit or Loss

Year Ended 31 March	Note	Group		Company	
		2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Revenue from contracts with customers	6	936,508,805	1,166,738,620	313,220,220	370,751,284
Cost of sales		(236,723,115)	(266,378,204)	(69,170,885)	(81,265,995)
<b>Gross profit</b>		<b>699,785,690</b>	<b>900,360,416</b>	<b>244,049,335</b>	<b>289,485,289</b>
Other income and gains	7	10,722,068	11,012,423	2,765,942	2,779,540
Administrative expenses		(403,194,614)	(450,716,712)	(113,777,211)	(146,620,924)
Selling and marketing expenses		(39,905,555)	(45,904,595)	(22,019,549)	(24,598,602)
Other operating expenses		(286,799,855)	(278,133,205)	(75,591,347)	(73,041,681)
<b>Operating profit / (loss)</b>		<b>(19,392,266)</b>	<b>136,618,327</b>	<b>35,427,170</b>	<b>48,003,622</b>
Finance income	8.1	4,530,322	25,772,234	11,264,103	90,086,069
Finance expenses	8.2	(359,446,963)	(433,533,214)	(168,962,480)	(195,721,141)
Share of profit of associate	19	62,624,772	66,132,414	62,624,772	66,132,414
Impairment of subsidiary	20.1	-	-	(367,531,153)	(126,569,517)
<b>Loss before Tax</b>	9	<b>(311,684,135)</b>	<b>(205,010,239)</b>	<b>(427,177,588)</b>	<b>(118,068,553)</b>
Tax reversal / (expenses)	10	1,078,766	(3,662,366)	1,535,932	(3,860,026)
<b>Loss for the year</b>		<b>(310,605,369)</b>	<b>(208,672,605)</b>	<b>(425,641,656)</b>	<b>(121,928,579)</b>
<b>Loss attributable to:</b>					
Equity holders of the parent		(305,527,779)	(196,790,624)	(425,641,656)	(121,928,579)
Non-controlling interests		(5,077,590)	(11,881,981)	-	-
		(310,605,369)	(208,672,605)	(425,641,656)	(121,928,579)
<b>Basic/Diluted loss per share</b>	11	<b>(1.11)</b>	<b>(0.96)</b>	<b>(1.54)</b>	<b>(0.60)</b>

Figures in brackets indicate deductions.

The accounting policies and notes on pages 66 through 155 form an integral part of these financial statements.

# Statement of Comprehensive Income

Year Ended 31 March	Note	Group		Company	
		2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Loss for the year		(310,605,369)	(208,672,605)	(425,641,656)	(121,928,579)
Other comprehensive income/(loss)					
Other comprehensive income / (loss) not to be reclassified to profit or loss in subsequent periods					
Actuarial loss on defined benefit plan	30	(1,770,292)	(738,596)	(585,926)	(927,071)
Income tax effect on defined benefit plan	31	247,841	103,404	82,030	129,790
Share of other comprehensive income / (loss) of associate	19	(4,207,317)	6,819,264	(4,207,317)	6,819,264
Other comprehensive income / (loss) for the year, net of tax		(5,729,768)	6,184,071	(4,711,213)	6,021,982
Total comprehensive loss for the year, net of tax		(316,335,137)	(202,488,533)	(430,352,869)	(115,906,597)
Total comprehensive loss attributable to:					
Equity holders of the parent		(311,237,065)	(190,615,581)	(430,352,869)	(115,906,597)
Non-controlling interests		(5,098,072)	(11,872,952)	-	-
		(316,335,137)	(202,488,533)	(430,352,869)	(115,906,597)

Figures in brackets indicate deductions.

The accounting policies and notes on pages 66 through 155 form an integral part of these financial statements.

## Statement of Financial Position

As At 31 March	Note	Group		Company	
		2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	14	5,083,005,026	5,535,126,193	1,061,186,618	1,361,932,907
Investment properties	15	558,991,266	-	558,991,266	-
Right-of-use assets	16	184,439,340	-	182,340,915	-
Leasehold property	17	-	184,366,923	-	184,366,923
Intangible assets	18	2,570,537	1,079,663	1,099,389	395,711
Investment in associate	19	2,216,690,253	2,158,272,798	2,216,690,253	2,158,272,798
Investment in subsidiary	20	-	-	2,270,404,452	1,778,521,203
Other receivables - related parties	21	-	10,446,421	-	863,160,924
		8,045,696,422	7,889,291,998	6,290,712,893	6,346,650,467
Current Assets					
Inventories	22	24,231,633	25,653,798	8,551,349	9,448,418
Trade and other receivables	21	94,233,581	147,874,374	38,630,472	53,331,968
Other current financial assets	23	21,078,130	19,604,672	266,800	385,480
Tax receivables		15,337,366	14,571,538	7,578,866	4,614,653
Advances and prepayments	24	17,912,932	20,647,185	4,952,286	7,309,150
Cash and bank balances	25	7,635,569	10,517,927	3,719,475	4,430,545
		180,429,211	238,869,494	63,699,248	79,520,214
Assets held for sale	26	-	221,991,266	-	221,991,266
Total assets		8,226,125,633	8,350,152,758	6,354,412,141	6,648,161,947
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	27	4,624,023,566	4,311,571,166	4,624,023,566	4,311,571,166
Revaluation reserve	28	852,998,343	856,753,294	246,064,194	249,819,145
Merger reserve		332,134,791	332,134,791	332,134,791	332,134,791
Retained earnings		(1,144,062,022)	(888,639,489)	(372,911,994)	53,685,924
Equity attributable to owners of the company		4,665,094,678	4,611,819,762	4,829,310,557	4,947,211,026
Non-controlling interests		28,019,270	85,126,890	-	-
Total equity		4,693,113,948	4,696,946,652	4,829,310,557	4,947,211,026

As At 31 March	Note	Group		Company	
		2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
<b>Non-current liabilities</b>					
Interest bearing loans and borrowings	29	2,474,423,188	1,985,836,409	910,062,040	611,475,000
Retirement benefit obligation	30	22,437,487	17,630,112	15,331,043	13,309,622
Deferred tax liability	31	186,626,399	188,964,070	66,161,308	68,487,171
Other payables - related parties	32	105,922,516	386,232,918	172,917,468	361,158,722
		2,789,409,590	2,578,663,509	1,164,471,859	1,054,430,515
<b>Current liabilities</b>					
Interest bearing loans and borrowings	29	399,455,434	615,159,930	242,599,745	440,601,642
Lease liabilities	33	2,337,252	-	-	-
Trade and other payables	32	308,162,845	427,501,921	108,847,245	198,677,679
Contract liabilities	34	33,646,564	31,880,746	9,182,735	7,241,085
		743,602,095	1,074,542,597	360,629,725	646,520,406
<b>Total equity and liabilities</b>		8,226,125,633	8,350,152,758	6,354,412,141	6,648,161,947

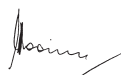
It is certified that the financial statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.



**D C A Sandanayake**

Group Finance Manager

The Board of Directors is responsible for these Financial Statements. Signed for and on behalf of the Board by;



**E P A Cooray**

Chairman



**S A Ameresekere**

Director

The accounting policies and notes on pages 66 through 155 form an integral part of these financial statements.

8th December 2020

Colombo

# Statement of Changes in Equity

Group	Attributable to Equityholders of the Parent					Non-Controlling Interest	Total Equity
	Stated Capital	Revaluation Reserves	Merger * Reserves	Retained Earnings	Total		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Balance as at 01 April 2018</b>	4,311,571,166	849,934,030	332,134,791	(691,204,644)	4,802,435,343	96,999,842	4,899,435,185
Net loss for the year	-	-	-	(196,790,624)	(196,790,624)	(11,881,981)	(208,672,605)
Other comprehensive income / (loss), net of tax	-	6,819,264	-	(644,221)	6,175,043	9,029	6,184,071
Total other comprehensive income / (loss), net of tax	-	6,819,264	-	(197,434,845)	(190,615,581)	(11,872,952)	(202,488,533)
<b>Balance as at 31 March 2019</b>	4,311,571,166	856,753,294	332,134,791	(888,639,489)	4,611,819,762	85,126,890	4,696,946,652
<b>Balance as at 01 April 2019</b>	4,311,571,166	856,753,294	332,134,791	(888,639,489)	4,611,819,762	85,126,890	4,696,946,652
Net loss for the year	-	-	-	(305,527,779)	(305,527,779)	(5,077,590)	(310,605,369)
Other comprehensive loss, net of tax	-	(3,754,951)	-	(1,954,334)	(5,709,285)	(20,483)	(5,729,768)
Total other comprehensive loss, net of tax	-	(3,754,951)	-	(307,482,113)	(311,237,064)	(5,098,073)	(316,335,137)
Issue of Shares	312,452,400	-	-	-	312,452,400	-	312,452,400
Share issue to Non Controlling Interest	-	-	-	-	-	50,033	50,033
Acquisition of Non Controlling Interest on right issue	-	-	-	52,059,580	52,059,580	(52,059,580)	-
<b>Balance as at 31 March 2020</b>	4,624,023,566	852,998,343	332,134,791	(1,144,062,022)	4,665,094,678	28,019,270	4,693,113,948



Company	Stated Capital Rs.	Revaluation Reserves Rs.	Merger * Reserves Rs.	Retained Earnings Rs.	Total Rs.
<b>Balance as at 01 April 2018</b>	4,311,571,166	242,878,465	332,134,791	176,533,200	5,063,117,623
Net loss for the year	-	-	-	(121,928,579)	(121,928,579)
Other comprehensive income/(loss), net of tax	-	6,940,680	-	(918,697)	6,021,982
Total other comprehensive income/(loss), net of tax	-	6,940,680	-	(122,847,276)	(115,906,597)
<b>Balance as at 31 March 2019</b>	4,311,571,166	249,819,145	332,134,791	53,685,924	4,947,211,026
<b>Balance as at 01 April 2019</b>	4,311,571,166	249,819,145	332,134,791	53,685,924	4,947,211,026
Net loss for the year	-	-	-	(425,641,656)	(425,641,656)
Other comprehensive loss, net of tax	-	(3,754,951)	-	(956,262)	(4,711,213)
Total other comprehensive loss, net of tax	-	(3,754,951)	-	(426,597,918)	(430,352,869)
Issue of Shares	312,452,400	-	-	-	312,452,400
<b>Balance as at 31 March 2020</b>	4,624,023,566	246,064,194	332,134,791	(372,911,994)	4,829,310,557

**\* Merger Reserve**

Merger Reserve was created as a result of the Citrus Group restructure: Kalpitaya Beach Resort PLC (KBRL) and Passikudah Beach Resort Limited (PBRLL) has been amalgamated with Hikkaduwa Beach resort PLC on 30 January 2018 and 2 February 2018 respectively.

The accounting policies and notes on pages 66 through 155 form an integral part of these financial statements.

## Cash Flow Statement

Year ended 31 March	Note	Group		Company	
		2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
<b>Cash flows from/(used in) operating activities</b>					
Loss before income tax expense		(311,684,135)	(205,010,239)	(427,177,588)	(118,068,553)
<b>Adjustments for :</b>					
Depreciation	14	199,562,908	200,672,331	33,494,396	30,630,695
Amortization of intangible assets	18	486,333	166,970	190,438	73,086
Provision for defined benefit plans	30	4,870,159	3,753,628	2,769,921	2,341,773
Depreciation of right-of-use assets	16	6,334,725	-	2,026,008	-
Unrealized exchange gain	7	(708,420)	-	-	-
Amortization of leasehold property	17	-	2,026,008	-	2,026,008
Finance income	8.1	(4,530,322)	(25,772,234)	(11,264,103)	(90,086,069)
Finance costs	8.2	359,328,283	433,456,854	168,843,799	195,644,781
Loss on financial assets at fair value	8.2	118,680	76,360	118,680	76,360
Impairment of capital work in progress		-	22,996,149	-	22,996,149
Gain on disposal of property, plant & equipment	7	(3,637,115)	(3,539,239)	(639,677)	(446,496)
Impairment of trade receivables	9	671,824	3,986,344	360,000	600,000
Impairment of subsidiary	20	-	-	367,531,153	126,569,517
Written off of irrecoverable tax receivables and others		3,802,215	-	-	-
Share of profits from investment in associate	19	(62,624,772)	(66,132,414)	(62,624,772)	(66,132,414)
<b>Operating profit before working capital changes</b>		<b>191,990,363</b>	<b>366,680,518</b>	<b>73,628,255</b>	<b>106,224,837</b>
(Increase) / decrease in inventories		1,422,165	(2,660,040)	897,069	(1,523,795)
Decrease in trade and other receivables		52,502,178	42,557,119	14,341,500	124,328,423
(Increase)/decrease in advances and prepayments		2,734,253	(2,140,731)	2,356,864	(1,567,820)
Increase in contract liabilities		1,765,818	12,170,315	1,941,650	1,766,714
Decrease in trade and other payables		(137,117,140)	(259,242,240)	(104,699,083)	(140,227,795)
<b>Cash generated from/(used in) operations</b>		<b>113,297,637</b>	<b>157,364,941</b>	<b>(11,533,745)</b>	<b>89,000,564</b>
Finance cost paid		(65,808,587)	(402,213,440)	(55,151,908)	(186,094,617)
Tax paid		(4,339,617)	(42,993,962)	(3,672,114)	(37,209,504)
Defined benefit plan cost paid		(1,833,076)	(1,295,961)	(1,334,426)	(1,295,961)
<b>Net cash flow from/(used in) operating activities</b>		<b>41,316,357</b>	<b>(289,138,422)</b>	<b>(71,692,193)</b>	<b>(135,599,518)</b>

Year ended 31 March		Group		Company		
		2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.	
Cash flows from/(used in) investing activities						
Acquisition of property, plant and equipment		(88,234,728)	(45,455,182)	(69,748,109)	(12,193,494)	
Acquisition of intangible assets		(1,977,207)	(928,552)	(894,116)	(348,207)	
Proceeds from withdrawal of fixed deposits		-	229,957,216	-	229,957,216	
Finance income received		4,466,043	20,348,917	11,264,103	67,583,589	
Proceed from sale of fixed assets		3,932,376	5,476,385	639,677	-	
Net cash flow from/(used in) investing activities		(81,813,516)	209,398,784	(58,738,445)	284,999,104	
Cash flows from/(used in) financing activities						
Proceeds from interest bearing loans and borrowings		29	125,000,000	645,000,000	125,000,000	645,000,000
Repayment of interest bearing loans and borrowings		29	(95,341,203)	(253,293,673)	(93,841,203)	(191,600,000)
Principal payment under finance lease liabilities			-	(2,905,272)	-	-
Principal payment under lease liabilities		33	(3,527,458)	-	-	-
Net financed from related parties			42,382,347	499,009,359	127,751,596	105,373,213
Proceeds from issue of shares			206,072	-	206,072	-
Proceeds from shares issue to non-controlling shareholders			50,033	-	-	-
Net cash flows from financing activities			68,769,791	887,810,414	159,116,465	558,773,213
Net increase in cash and cash equivalents			28,272,632	808,070,776	28,685,827	708,172,799
Cash and cash equivalents at the beginning of the year			(399,281,167)	(1,207,351,943)	(267,566,097)	(975,738,896)
Cash and cash equivalents at the end of the year (note A)			(371,008,535)	(399,281,167)	(238,880,270)	(267,566,097)
Note A						
Analysis of cash and cash equivalents						
Cash in hand and cash at bank			7,635,569	10,517,927	3,719,475	4,430,545
Short term deposits with original maturity less than three months			20,811,330	19,219,192	-	-
Bank overdrafts			(399,455,434)	(429,018,285)	(242,599,745)	(271,996,642)
Total cash and cash equivalents			(371,008,535)	(399,281,167)	(238,880,270)	(267,566,097)

The accounting policies and notes on pages 66 through 155 form an integral part of these financial statements.

# Notes to the Financial Statements

Year ended 31 March 2020

## 1. CORPORATE INFORMATION

The consolidated financial statements of the Hikkaduwa Beach Resort PLC and its subsidiary (collectively, the Group) for the year ended 31 March 2020 were authorized for issue in accordance with a resolution of the directors on 08th December 2020. Hikkaduwa Beach Resort PLC (the Company or the parent) is a public limited company incorporated and domiciled in Sri Lanka and whose shares are listed on Colombo Stock Exchange and publicly traded. The registered office of the Company is located at No 7/5, Gregory's Road, Colombo 07.

The Group is principally engaged in the provision of Hotel Services. Information of the subsidiary are provided in Note 2.2.1

In the opinion of the Directors, the immediate parent of Hikkaduwa Beach Resort PLC is Citrus Leisure PLC and ultimate parent is George Steuart & Company Ltd.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The financial statements which comprise the statement of profit or loss, 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 the requirement of the Companies Act No. 7 of 2007.

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position.

- Land and Buildings which are recognized as property plant and equipment which are measured at cost at the time of the acquisition and subsequently carried at fair value.
- Land and buildings which are recognized as investment property are measured at cost at the time of the acquisition and subsequently carried at fair value.
- Financial assets at fair value through profit or loss carried at fair value.

The consolidated financial statements are presented in Sri Lankan rupees (Rs.).

### Comparative Information

The consolidated financial statements provide comparative information in respect of the previous year. The accounting policies have been consistently applied by the Group except for the adoption of new accounting standards and interpretations with effect from 01 April 2019, the Group has consistently applied the accounting policies with those adopted in the previous financial year. The presentation and classification of the financial statements of the previous period, have been adjusted, where relevant, for better presentation.

The impact of adopting this new accounting standard of SLFRS 16 is disclosed in note 03 to the financial statements.

### 2.1.1 Effect of COVID 19 on the Business and Operations of the Group and Going Concern

#### a.) Going Concern

Hikkaduwa Beach Resort PLC and its subsidiary operate in the tourist sector that has been significantly affected by the outbreak of COVID – 19. With the spread of the virus on a global scale in mid-March 2020 and rightly the stringent measures taken by the Government including the closure of airports and lock downs, have compelled the temporary closure of all the Group's hotels. The Board of Directors has made an assessment of the Group's ability to continue as a going concern considering all the current internal and external environmental factors including the business impact of the overall tourism industry decline due to the impact of Covid-19 pandemic and they do not intend either to liquidate or to cease trading.

Even though the Hotel's key performance indicators were at significantly lower level in the month of March 2020, the management believes that the situation is solely due to the cancellation of bookings due to the Covid-19. The Management is being negotiated with travel agents to pick up the business once the global pandemic is managed and success in attracting tourists from mid of next year.

In determining the basis of preparing the financial statements for the year ended 31 March 2020, based on available information, the management has assessed the existing and anticipated effects of COVID-19 on the Group Companies and the appropriateness

of the use of the going concern basis. In March 2020, the Group evaluated the resilience of its businesses considering a wide range of factors under multiple stress tested scenarios , relating to expected revenue streams, cost management, profitability, the ability to defer nonessential capital expenditure, debt repayment schedules, if any, cash reserves and potential sources of financing facilities, if required, and the ability to continue providing services to ensure businesses continue as least impacted as possible.

Having presented the outlook for each company in the group to the Board of Hikkaduwa Beach Resort PLC and after due consideration of the range and likelihood of outcomes, the Directors are satisfied that the Company, its subsidiary and associate have adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing and presenting these financial statements.

#### b.) Effect of COVID 19 on the Business and subsequent initiatives

The Travel and leisure sector is facing an unprecedented challenge of global scale and proportion. The government of Sri Lanka has successfully managed the Covid-19 pandemic in the country thus far by making health and saving lives its number one priority. The manner in which the local authorities are handling this crisis will no doubt resonate well with the world and the global traveller will have more confidence in our destination when our borders open.

## Notes to the Financial Statements

Year ended 31 March 2020

Today, Sri Lanka along with many other countries around the world is slowly attempting to relax its internal restrictions. However, the future of the sector remains quite uncertain and a slow learning experience lies ahead of us until a permanent global solution for Covid-19 is reached. Hence any immediate attempts to reliably forecast the future of the current financial year 2020/21 would be futile. Nonetheless the company is vigilantly following the developments and approaching the current challenges and constraints with a sense of creativity and open mindedness.

In keeping with the Group's Nation mindedness ethos in support of the valiant efforts of those in the front line, we were the first to offer our resort facilities at Citrus Waskaduwa to be used as a Quarantine Centre, creating a trend amongst our peers in the leisure sector. However, as the need did not arise at that juncture, the authorities decided to utilise same to house Sri Lankan overseas returnees opting for the Government's offer of paid quarantine facilities along with other hotel operators. Accordingly, Citrus Waskaduwa commenced operations on 04th May 2020 as a paid quarantine centre under the stringent supervision of the Sri Lanka Army and strict guidance issued by the Medical Authorities. Under their guidance, we have taken extra care to implement measures and protocols to ensure the highest standards of health and safety for all our guests and staff which is our number one priority. Once the requirement for such a quarantine centre by the Government is fulfilled, Citrus Waskaduwa will be completely decontaminated in

keeping with highest international standards before normal resort operations commence.

Citrus Hikkaduwa was closed from 31st March 2020, and has been re-opened for local travellers from 10th June 2020.

During this time, the group has made every effort to curtail all costs and will continue to implement such initiatives to manage our finances. We are in constant discussions and negotiations with our financial partners and lending institutions in order to manoeuvre through this critical cash constrained period. All properties are being managed and maintained using small but efficient cross functional teams. Regular consultations and representations with the industry bodies are also being done in order to obtain the much needed concessions and protective measures which could be highlighted to the government to sustain the sector.

The manner in which the borders will open, and to which markets we open and what measures will be required for travellers is still unclear. These will no doubt be planned and implemented soon but will evolve with the dynamic global situation we are faced with. In the meantime, we will continue to keep our brand at the top of the minds of our travel agents, potential customers and stakeholders. As the situation in Sri Lanka becomes 'near normal', we will focus our energies on the local market while ensuring to adhere to all precautionary health and safety measures as per the local and international guidelines. We are actively trying to think outside the traditional model and are evaluating all possible

opportunities. While in the medium to long term, the industry is bound to bounce back, our commitment to provide “happiness moments” to all our guests with utmost safety and responsibility, and the continued wellbeing of our staff will remain our top priority.

## 2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as for the year ended 31 March 2020.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances

in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

## Notes to the Financial Statements

Year ended 31 March 2020

### Accounting under separate financial statements

Investment in subsidiary is measured at cost less accumulated impairment in the separate financial statements.

#### 2.2.1 Subsidiary

Subsidiaries are those enterprises controlled by the parent and have been listed in the Group directory.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The financial statements of the subsidiary is prepared for the same reporting period as the parent Company, which is 12 months ending 31 March, using consistent accounting policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Subsidiary & their controlling percentages of the Group, which have been consolidated are as follows

Subsidiary	Effective Holding		Principal Activities
	2020	2019	
Waskaduwa Beach Resort PLC	97.99%	94.43%	Provision of food and beverage, lodging, other hospitality industry related activities.

The Financial Statements of the subsidiary are prepared in compliance with the Group's accounting policies.

#### 2.2.2 Investment in Associate

The Group's investment in associate is accounted for using the equity method of accounting. An associate is an entity in which the Company has significant influence, and which is neither a subsidiary nor a

joint venture. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date.



Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit or loss reflects the share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss in the Statement of profit or loss.

In case of associates, where the reporting dates are different to Group reporting dates, adjustments are made for any significant transactions or events up to 31st March.

Associate	Effective Holding		Principal Activities
	2020	2019	
Colombo Land & Development Company PLC	20.22%	20.22%	Development and leasing out of investment property under operating leases and renting of vehicle parking.

## 2.3 Summary of significant accounting policies

### a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

## Notes to the Financial Statements

Year ended 31 March 2020

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SLFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with SLFRS 9. Other contingent consideration that is not within the scope of SLFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing,

goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

### b) Current versus non-current classification

The Group presents assets and liabilities in the Statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### c) Fair value measurement

The Group measures financial instruments such as quoted equity securities designated as fair value through profit or loss and land and buildings at fair value at each financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- 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 Group.

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.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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

## Notes to the Financial Statements

Year ended 31 March 2020

- 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 recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (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 Group's Senior Management and Board determines the policies and procedures for fair value measurement, such as land and buildings.

External valuers are involved for valuation of Land, Buildings of the Group. Involvement of external valuers is determined annually by the senior management and the board after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The senior management decides, after discussions with the Group's external valuers,

which valuation techniques and inputs to use for each case.

At each reporting date, the senior management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the senior management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The senior management, in conjunction with the Group's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

Fair value measurement	Disclosure Notes
Disclosures for valuation methods, significant estimates and assumptions	Notes 13 and 14.3.1
Quantitative disclosures of fair value measurement hierarchy	Note 13
Investment in quoted equity shares	Notes 13 and 23.1
Property, plant and equipment under revaluation model	Note 14.3
Investment properties	Note 15
Financial Instruments (Including those carried at amortized cost)	Note 12

**d) Revenue****(i) Revenue from contracts with customers**

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the company expect to entitled in exchange of those goods or services.

The Company's gross turnover comprises proceeds from provision of food, beverage, lodging and other hospitality industry related activities. The net Company's turnover excludes turnover taxes and trade discounts.

- Room revenue is recognised on the rooms occupied on daily basis.
- Food and Beverage revenue is recognised at the time of sales.
- Other Hotel Related Revenue is accounted when such service is rendered.

**Contract liabilities**

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

The Group recognizes advanced received for future booking as contract liabilities which has been disclosed under current liabilities in the statement of financial position.

**(ii) Interest income**

For all financial instruments measured at amortised cost and interest bearing financial assets classified as financial assets at fair value through OCI, 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 is included in finance income in the Statement of Profit or Loss.

**(iii) Rental income, other income and gains**

Rental income, other income and gains are recognised in the statement of profit or loss as it accrues.

**(iv) Gains and losses on disposal of assets**

Gains and losses on disposal of Assets are determined by comparing the net sales proceeds with the carrying amounts of the assets and are recognised net within "other operating income" in the Statement of Profit or Loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

**(v) Dividend income**

Dividend income is recognised when right to receive the payment is established.

## Notes to the Financial Statements

Year ended 31 March 2020

### e) Taxes

#### Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of taxable temporary differences associated with investments in subsidiary, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiary, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current

tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### **Deferred tax on undistributed profits of investment in associate**

The Group does not control is equity accounted investees. It is therefore generally not in a position to control the timing of the reversal of a possible taxable temporary difference relating to the undistributed profits of the equity accounted investees.

The group calculates deferred tax based on the most likely manner of reversal taking into account management's intent and the tax jurisdiction applicable to relevant equity accounted investees.

The management intends to recover the carrying amount of the investment primarily through sale of the investment rather than through dividends. The deferred tax implications are evaluated based on the tax consequences on the sale of investments.

Since the carrying amount is expected to be recovered through a sale transactions which has no tax consequences. No temporary difference arise on the equity accounted investees and no deferred tax is provided.

## Notes to the Financial Statements

Year ended 31 March 2020

### Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included the net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

### f) Foreign currencies

The Group's consolidated financial statements are presented in Sri Lanka Rupees, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. All differences are taken to the statement of profit or loss.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

### g) Cash dividend

The Group recognises liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Group. A distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

### h) Property, plant and equipment

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognised in profit or loss as incurred.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the



date of revaluation. Revaluation of land is done with sufficient frequency to ensure that the fair value of the land does not differ materially from its carrying amount, and is undertaken by professionally qualified valuers. A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

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

Useful lives as follows;

Asset	Years
Buildings	10 - 40 years
Furniture and fittings	6 years
Entertainment equipment	4 years
Office equipment	6 years
Machinery and other equipment	10 years
Electrical fittings and equipment	10 years
Furnishing and linen	3 years
Kitchen utensils and other equipment	10 years
Air condition system	13 - 15 years
Gardening and landscaping	5 - 6 years
Crockery, cutlery and glasswear	3 years
Motor vehicles	4 - 5 years
Generator and transformers	15 years
Computers and hardware	3 years
Sundry equipment	5 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

## Notes to the Financial Statements

Year ended 31 March 2020

### Capital work-in-progress

Capital work-in-progress is stated at cost less any accumulated impairment losses if any. These would be transferred to the relevant asset category in property, plant and equipment when the asset is completed and available for use i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management

### i) Investment properties

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, used in the production of supply of goods or services or for administrative purposes.

### Recognition and measurement

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

### Derecognition

Investment properties are derecognised either when they have been disposed of or

when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

### j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### k) Intangible assets

An Intangible asset is recognised if it is probable that future economic benefit associated with the assets will flow to the Group and cost of the asset can be reliably measured. Intangible assets acquired separately are measured on initial recognition at cost. The costs of intangible assets

acquired in a business combination are their fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful life of intangible asset is assessed as finite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The useful life of intangible assets are as follows;

Computer Software	Over 4 Years
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Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function/nature of the intangible asset. Amortisation was commenced when the assets were available for use.

## **i) Financial instruments – initial recognition and subsequent 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.

## **i. Financial assets**

### **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 Group's business model for managing them.

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 (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its 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 assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the group commits to purchase or sell the asset.

## Notes to the Financial Statements

Year ended 31 March 2020

### Subsequent measurement

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

- Financial assets at amortised cost (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets at fair value through profit or loss

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

The Group 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 on 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 group financial assets at amortised cost includes trade receivables and fixed deposits.

### Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under SLFRS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group does not have any financial instrument under this category as at the reporting date.

### Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling

and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non-current financial assets.

The Group does not have any financial instrument under this category as at the reporting date.

#### **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily

required to be measured at fair value.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

#### **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the group consolidated statement of financial position) when:

## Notes to the Financial Statements

Year ended 31 March 2020

- The rights to receive cash flows from the asset have expired

Or

- The group 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 group has transferred substantially all the risks and rewards of the asset,
  - or
  - (b) the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the group 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 group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the group 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 group 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 Company could be required to repay.

### Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- |   |           |
|---|-----------|
| • Disclosures for significant assumptions | Note 05   |
| • Financial assets                        | Note 23   |
| • Trade receivables                       | Note 21.2 |

The Group 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 Company 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.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the

exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables the group applies a simplified approach in calculating ECLs.

Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The group 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.

The group considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the group may also consider a financial asset to be in default when internal or external information indicates that the group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

## ii) **Financial liabilities**

### **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 Group financial liabilities include trade and other payables, lease liabilities and interest bearing loans and borrowings.

### **Subsequent measurement**

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

#### **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the group that are not designated as hedging instruments in hedge relationships as defined by SLFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in SLFRS 9 are satisfied.

# Notes to the Financial Statements

Year ended 31 March 2020

The group has not designated any financial liability as at fair value through profit or loss.

### Loans and borrowings

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.

### Derecognition

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 derecognition 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.

iii) **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.

m) **Inventories**

Inventories are measured at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Food and Beverages	At Weighted Average Cost
House Keeping and Maintenance	At Weighted Average Cost
Other Stock	At Weighted Average Cost

Net realisable value is the estimated selling price in the ordinary course of business less, the estimated cost of completion and the estimated costs necessary to make the sale.

n) **Impairment of non-financial assets**

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date or more frequently, if events or changes in circumstances indicate that they might be impaired.



**Calculation of recoverable amount**

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, 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. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets.

**Impairment / Reversal of impairment**

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in statement of income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**o) Cash and short-term deposits**

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

**p) Assets Held for Sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Property, plant and equipment are not depreciated once classified as held for sale. Assets classified as held for sale are presented separately as current items in the statement of financial position.

## Notes to the Financial Statements

Year ended 31 March 2020

### q) Provisions

#### General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, 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. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### r) Employee Benefits

#### Defined Contribution Plans

A defined contribution plan is a postemployment 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 Provident and Trust Funds covering all employees are recognised as an employee benefit expense in Statement of Profit or Loss in the periods during which services are rendered by employees. The

Group contributes 12% and 3% of gross emoluments to employees as Provident Fund and Trust Fund contribution respectively.

#### Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 – “Employee benefits”. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

Current service cost and interest cost are recognized in the Statement of Profit or Loss while any actuarial gains or losses arising are recognized in Statement of Other Comprehensive Income.

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in note 30. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

Provision has been made for retirement gratuities from the beginning of service for all employees, in conformity with LKAS 19 on employee benefit. However, under

the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

### Short-term Benefits

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

## s) Lease assets

### Accounting policy applied up to 31 March 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

### Group as a lessee

Finance leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

### Accounting policy applied from 1 April 2019

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

## i) Right-of-use assets

The Group recognises right of use assets when the underlying asset is available for use. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct

## Notes to the Financial Statements

Year ended 31 March 2020

costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right of use assets are subject to impairment.

### ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease

liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

### iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group applied SLFRS 16; Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

**a) SLFRS 16 Leases**

SLFRS 16 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. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases

under a single on balance sheet model. The Group has adopted SLFRS 16 using modified retrospective method from 01 April 2019, without restating comparatives for the 2018/19 reporting period, as permitted under the specific transitional provisions in the standard. However, there were no material adjustments other than the following classification changes due to the adoption of this standard.

The effect of adoption SLFRS 16 as at 1 April 2019 is as follows:

	Group Rs.	Company Rs.
<b>Assets</b>		
Property, plant and equipment	(6,407,142)	-
Right-of-use assets	190,774,065	184,366,923
Leasehold property	(184,366,923)	(184,366,923)
<b>Total assets</b>	-	-
<b>Liabilities</b>		
Lease liabilities	5,498,054	-
Interest bearing loans and borrowings	(5,498,054)	-
<b>Total liabilities</b>	-	-

**Leases previously classified as finance leases**

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The requirements of SLFRS 16 was applied to these leases from 1 April 2019.

**Presentation of Financial Statements**

Right-of-use assets were recognised and presented separately in the statement of financial position. Lease Motor Vehicles recognised previously under finance leases, which were included under 'Property, plant and equipment', were derecognised.

Additional lease liabilities were recognised and presented separately in the statement of financial position.

## Notes to the Financial Statements

Year ended 31 March 2020

There is no impact to the comparative statement of profit or loss, cash flows and earnings per share as the Group has adopted the SLFRS 16 using Modified retrospectives approach.

### **b) IFRIC Interpretation 23: Uncertainty over Income Tax Treatments**

Upon adoption of the interpretation, the group considered whether it has any significant uncertain tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The interpretation did not have an impact on the consolidated Financial Statements.

### **4. STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

#### **SLFRS 17: Insurance Contracts**

SLFRS 17; Insurance Contracts, is issued by the CA Sri Lanka and up to the date of issuance of the Group financial statements that standard is not effective. SLFRS 17 is effective from 01 January 2022. However, the adoption of SLFRS 17 does not expecting to have an impact on the Group Financial Statements.

#### **Amendments to SLFRS 3: Definition of a Business**

The Institute of Chartered Accountants of Sri Lanka issued amendments to the definition of a business in SLFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

#### **Amendments to LKAS 1 and LKAS 8: Definition of Material**

The Institute of Chartered Accountants of Sri Lanka issued amendments to LKAS 1 Presentation of Financial Statements and LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments to the definition of material is not expected to

have a significant impact on the Group's consolidated financial statements.

## 5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- Capital management                      Note 39
- Financial instruments risk  
management and policies      Note 38
- Sensitivity analyses                      Notes 14.3.1,  
disclosures                                  20.2 and 30.3

### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future

developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

### Defined benefit plans (pension benefits)

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of long term Government Bonds (Treasury Bonds) corresponding to the average work life of the employees.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

## Notes to the Financial Statements

Year ended 31 March 2020

Further details about pension obligations are provided in Note 30.

### **Provision for expected credit losses of trade receivables**

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

### **Performance obligations and significant judgements**

The revenue for providing the services are usually recognised at or after the guests' departure, over the period of stay or at the point of arrival of guests. The entity identifies the services under each contract as one performance obligation. The revenue is accounted based on the output method. Since revenue will be based on the final good or service provided, the output method will provide a faithful depiction in recognising revenue.

Transaction price shall comprise of supplier fee and company markup, summing up to be the Gross Service fee. The advance payments are recognised as a liability. Upon provision of the services, the liability is set off and revenue is recognised over the period.

### **Going Concern**

The Directors have made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis

### **Fair value of freehold land and buildings**

The Group measures freehold land and buildings at fair value with changes in fair value being recognized in other comprehensive income. Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Fair value related disclosures for assets measured at fair value are summarized in the Note 13 to the financial statements.

### **Impairment of non-financial assets**

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.



The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to the for the following assets of the Group for which the key assumptions used are disclosed and further explained in the respective notes.

- Equity Accounted Investees (Note 19.4)
- Cash Generating Units (CGU) of the Group (Note 14.6)
- Investments in Subsidiaries (Note 20)

## Notes to the Financial Statements

Year ended 31 March

### 6 REVENUE FROM CONTRACTS WITH CUSTOMERS

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
<b>Revenue</b>				
Room revenue	520,790,998	634,883,323	197,724,904	217,547,846
Food revenue	214,519,974	266,851,704	76,206,450	95,882,931
Beverage revenue	40,113,072	58,659,631	15,007,136	22,581,638
Banquet revenue	157,366,061	199,489,345	22,877,341	31,674,196
Other income	1,988	2,245	1,427	192
Laundry income	449,317	915,026	239,243	417,005
Ayurvedic spa income	3,260,006	5,633,126	1,163,719	2,647,476
Shop sales	7,389	304,220	-	-
	<b>936,508,805</b>	<b>1,166,738,620</b>	<b>313,220,220</b>	<b>370,751,284</b>

### 7 OTHER INCOME AND GAINS

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Swimming pool income	362,316	358,804	362,316	358,804
Foreign currency encashment income	133,815	-	133,815	260,950
Exchange gain	708,420	912,134	-	-
Sundry income	2,394,616	2,870,980	626,328	768,263
Gain on disposal of property, plant, and equipment	3,637,115	3,539,239	639,677	446,496
Shop rent income	3,485,786	3,331,266	1,003,806	945,027
	<b>10,722,068</b>	<b>11,012,423</b>	<b>2,765,942</b>	<b>2,779,540</b>

**8 FINANCE COSTS AND INCOME**

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
<b>8.1 Finance Income</b>				
Interest income on fixed deposits and savings accounts	1,818,438	5,955,273	5,308	4,331,986
Mortgage fee	1,704,658	1,708,604	2,206,027	2,208,605
Interest on related party receivables	1,007,226	18,108,357	9,052,768	83,545,478
	4,530,322	25,772,234	11,264,103	90,086,069
<b>8.2 Finance expenses</b>				
Interest expense on overdrafts	58,726,331	99,220,297	37,172,836	70,216,991
Interest expense on finance leases	-	694,221	-	-
Interest expenses on bank loans	282,728,118	282,943,760	112,197,731	96,234,001
Interest on related party payables	17,507,178	50,598,576	19,473,233	29,193,789
Fair value loss on financial assets at fair value through profit or loss	118,680	76,360	118,680	76,360
Interest Expenses on Lease liabilities	366,656	-	-	-
	359,446,963	433,533,214	168,962,480	195,721,141

## Notes to the Financial Statements

Year ended 31 March

### 9 LOSS BEFORE TAX

Loss before tax is stated after charging all the expenses including the following:

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Employees benefits including the following				
- Salaries and wages	137,401,297	130,431,608	47,644,092	43,031,779
- Defined benefit plan costs - gratuity	4,870,159	3,753,628	2,769,921	2,341,773
- Defined contribution plan costs - EPF and ETF	20,634,927	19,535,691	7,155,750	6,414,207
Auditors' remuneration				
- Statutory audit fee	1,060,000	1,060,000	680,000	680,000
- Internal audit fee	874,800	1,199,589	464,400	430,000
Depreciation of property, plant and equipment	199,562,908	200,672,331	33,494,396	30,630,695
Amortisation of intangible assets	486,333	166,970	190,438	73,086
Depreciation of right-of-use assets	6,334,725	-	2,026,008	-
Impairment of capital work in progress	-	22,996,149	-	22,996,149
Impairment of trade receivables	671,824	3,986,344	360,000	600,000
Donations	90,277	17,000	66,119	5,000
Impairment of subsidiary	-	-	367,531,153	126,569,517
Business promotion and advertising costs	17,159,023	19,870,554	7,558,899	7,931,601

## 10 TAX EXPENSE

The major components of income tax expenses for the year ended 31 March are as follows:

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
<b>Current income tax</b>				
Income tax expense (10.1)	1,011,064	-	707,901	-
Income tax under provision in respect of previous years	-	7,705,014	-	7,705,014
	1,011,064	7,705,014	707,901	7,705,014
<b>Deferred Income tax</b>				
Deferred taxation charge/ (reversal) (10.3)	(2,089,830)	(4,042,648)	(2,243,833)	(3,844,988)
<b>Income tax expense/ (reversal) reported in the statement of profit or loss</b>	<b>(1,078,766)</b>	<b>3,662,366</b>	<b>(1,535,932)</b>	<b>3,860,026</b>

- 10.1** A reconciliation between income tax expense and the product of accounting profit / (loss) multiplied by the statutory tax rate is as follows;

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Accounting loss before income tax	(311,684,135)	(205,010,239)	(427,177,588)	(118,068,553)
Share of profit of associate	(62,624,772)	(66,132,414)	(62,624,772)	(66,132,414)
	(374,308,907)	(271,142,653)	(489,802,360)	(184,200,967)
Less: Aggregate allowable items	(358,446,416)	(376,704,907)	(69,456,721)	(71,596,814)
Add: Aggregate disallowed items	283,899,088	276,662,724	464,638,022	221,401,648
Less: Non business income	(11,903,780)	(100,024,599)	(11,903,780)	(93,275,181)
Loss/(profits) exempt from tax	354,235,176	343,538,121	-	-
Business loss	(106,524,839)	(127,671,314)	(106,524,839)	(127,671,314)

## Notes to the Financial Statements

Year ended 31 March

### 10 TAX EXPENSE (Contd.)

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
<b>Other sources of income</b>				
Interest income	16,315,489	100,024,599	11,262,777	93,275,181
Total statutory income	16,315,489	100,024,599	11,262,777	93,275,181
Tax losses deducted against other sources of income	(12,102,724)	(100,024,599)	(8,313,190)	(93,275,181)
<b>Total taxable income</b>	<b>4,212,765</b>	<b>-</b>	<b>2,949,587</b>	<b>-</b>
Income tax provision for the year is made up of the following:				
- Income tax on interest income @24%	1,011,064	-	707,901	-
<b>Current income tax charge</b>	<b>1,011,064</b>	<b>-</b>	<b>707,901</b>	<b>-</b>

### 10.2 Income tax rates

#### (i) Hotel operations

The profits and income of the Company arising on provision of tourism related services is liable for taxation at the rate of 14% (2018/19 : 14%) in terms of Revenue Act No. 24 of 2017 and amendments thereto.

#### Waskaduwa Beach Resort PLC

Pursuant to agreement dated 19 March 2012, entered into with Board of Investments of Sri Lanka under section 17 of the Board of Investment Law No. 04 of 1978, the provision of the Inland Revenue No. 24 of 2017 relating to the imposition, payment and recovery of income tax in respect of the profit and income of the Company shall not apply for a period of twelve (12) years reckoned from the year of assessment 2016/2017.

#### (ii) Agricultural income

Income from agricultural income are taxed at the rate of 14% (2018/19 : 14%)

#### (iii) Other income and gains

Income from other sources are taxed at the rate of 24% (2018/19 : 14%)

**10.3 Deferred tax expense /(reversal)**

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
<b>Deferred tax arising from</b>				
- Accelerated depreciation for tax purposes	8,103,041	1,068,998	8,103,041	1,068,998
- Retirement benefit obligation	(46,966)	(344,073)	(200,969)	(146,413)
- Benefit arising from tax losses and others	(10,145,905)	(4,767,573)	(10,145,905)	(4,767,573)
<b>Total deferred tax charge/(reversal)</b>	<b>(2,089,830)</b>	<b>(4,042,648)</b>	<b>(2,243,833)</b>	<b>(3,844,988)</b>

**11 BASIC/DILUTED LOSS PER SHARE**

Loss per share is calculated by dividing the net loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic earnings per share computations.

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
<b>Amounts used as the numerator :</b>				
Net loss for the year attributable to the owners of the parent	(305,527,779)	(196,790,624)	(425,641,656)	(121,928,579)
<b>Amounts used as the denominator :</b>				
Weighted average number of ordinary shares in issue applicable to basic earnings/(loss) per share	276,142,507	204,782,354	276,142,507	204,782,354
<b>Basic/diluted loss per share (Rs.)</b>	<b>(1.11)</b>	<b>(0.96)</b>	<b>(1.54)</b>	<b>(0.60)</b>

## Notes to the Financial Statements

Year ended 31 March

### 12 FINANCIAL INSTRUMENTS

#### 12.1 Financial Assets and Liabilities by Categories

The following table shows the carrying amounts and fair values of financial assets and financial liabilities of the Group and the Company.

##### a) Financial assets and liabilities by categories - Group

As at 31 March	2020		2019	
	Fair value through profit or loss Rs.	Amortised cost Rs.	Fair value through profit or loss Rs.	Amortised cost Rs.
<b>Financial assets</b>				
Other current financial assets				
- Listed equity investments	266,800	-	385,480	-
- Investments in bank deposits	-	20,811,330	-	19,219,192
Trade and other receivables	-	94,233,581	-	158,320,795
<b>Total financial assets</b>	<b>266,800</b>	<b>115,044,911</b>	<b>385,480</b>	<b>177,539,987</b>

As at 31 March	2020		2019	
	Fair value through profit or loss Rs.	Other Financial liabilities Rs.	Fair value through profit or loss Rs.	Other Financial liabilities Rs.
<b>Financial liabilities</b>				
Interest Bearing Loans and Borrowings	-	2,873,878,622	-	2,600,996,339
Trade and other payables	-	319,482,144	-	668,864,139
<b>Total financial liabilities</b>	<b>-</b>	<b>3,193,360,766</b>	<b>-</b>	<b>3,269,860,478</b>



## b) Financial assets and liabilities by categories - Company

As at 31 March	2020		2019	
	Fair value through profit or loss Rs.	Amortised cost Rs.	Fair value through profit or loss Rs.	Amortised cost Rs.
<b>Financial assets</b>				
Other current financial assets				
- Listed equity investments	266,800	-	385,480	-
Trade and other receivables	-	38,630,472	-	916,492,893
<b>Total financial assets</b>	<b>266,800</b>	<b>38,630,472</b>	<b>385,480</b>	<b>916,492,893</b>

As at 31 March	2020		2019	
	Fair value through profit or loss Rs.	Other Financial liabilities Rs.	Fair value through profit or loss Rs.	Other Financial liabilities Rs.
<b>Financial liabilities</b>				
Interest bearing loans and borrowings	- 1,152,661,785		- 1,052,076,642	
Trade and other payables	- 231,075,820		- 498,293,005	
<b>Total financial liabilities</b>	<b>- 1,383,737,604</b>		<b>- 1,550,369,647</b>	

**Financial assets of which carrying values are reasonable approximates at their fair value**

The management assessed that the fair values of cash and short-term deposits, trade and other receivables approximate their carrying amounts largely due to the short-term maturities of these instruments.

**Financial liabilities of which carrying values are reasonable approximates its fair value**

The management assessed that the fair values of trade and other payables, interest bearing loans and borrowings and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

## Notes to the Financial Statements

Year ended 31 March

### 13 FAIR VALUE MEASUREMENT

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

#### 13.1 Group

Fair value measurement hierarchy for assets as at 31 March 2019 and 2020:

	Date of valuation	Total	Fair value measurement using		
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
			Rs.	Rs.	Rs.
<b>As at 31 March 2020</b>					
<b>Non-financial assets</b>					
Property, plant and equipment					
- Land (Note 14)	31 March 2018	1,359,457,500	-	-	1,359,457,500
- Buildings (Note 14)	31 March 2018	3,323,543,809	-	-	3,323,543,809
Investment properties					
- Land (Note 15)	31 March 2018	553,625,000	-	-	553,625,000
- Buildings (Note 15)	31 March 2018	5,366,266	-	-	5,366,266
Non financial assets as at 31 March 2020		5,241,992,575	-	-	5,241,992,575
<b>Financial assets</b>					
<b>Equity instruments designated at fair value through profit or loss</b>					
Quoted equity shares (Note 23)	31 March 2020	266,800	266,800	-	-
Financial assets as at 31 March 2020		266,800	266,800	-	-
<b>As at 31 March 2019</b>					
<b>Non financial assets</b>					
Property, plant and equipment					
- Land (Note 14)	31 March 2018	1,696,457,500	-	-	1,696,457,500
- Buildings (Note 14)	31 March 2018	3,441,991,594	-	-	3,441,991,594
Non financial assets as at 31 March 2019		5,138,449,094	-	-	5,138,449,094
<b>Equity instruments designated at fair value through profit or loss</b>					
Quoted equity shares (Note 23)	31 March 2019	385,480	385,480	-	-
Financial assets as at 31 March 2019		385,480	385,480	-	-

**14 PROPERTY, PLANT AND EQUIPMENT****14.1 Group****14.1.1 Gross carrying amounts**

	Balance as at 01.04.2019 Rs.	Additions / Transfers in Rs.	Transfers to Investment properties Rs.	Disposals Rs.	Balance as at 31.03.2020 Rs.
<b>At cost or valuation</b>					
Freehold Land	1,696,457,500	-	(337,000,000)	-	1,359,457,500
Buildings	3,441,991,594	54,439,042	-	-	3,496,430,636
Furniture and Fittings	238,967,445	10,624,392	-	(865,221)	248,726,616
Plant & Machinery	131,671,892	717,977	-	-	132,389,869
Office Equipment	27,907,849	2,365,717	-	-	30,273,566
Sundry Equipment	22,686,792	564,400	-	-	23,251,192
Linen and Furnishing	78,969,377	11,331,903	-	(400,000)	89,901,280
Kitchen Utensils and Other Equipments	142,353,218	2,287,475	-	-	144,640,693
Air Condition Systems	244,431,408	1,388,145	-	-	245,819,553
Gardening & Other Equipments	31,518,137	-	-	-	31,518,137
Electrical Fittings	109,347,881	1,641,171	-	-	110,989,052
Cutlery Crockery & Glassware	12,678,195	3,555,929	-	(3,326,492)	12,907,632
Generator & Transformers	48,804,093	-	-	-	48,804,093
Motor Vehicles	5,120,828	-	-	-	5,120,828
Entertainment and Security Equipment	55,777,478	8,667,633	-	(447,651)	63,997,460
	6,288,683,687	97,583,784	(337,000,000)	(5,039,364)	6,044,228,107

## Notes to the Financial Statements

Year ended 31 March

### 14.1.1 Gross carrying amounts

	Balance as at 01.04.2019 Rs.	Incurred during the year Rs.	Transfers Rs.	Disposals Rs.	Balance as at 31.03.2020 Rs.
<b>In the course of construction</b>					
Building work in progress	6,439,640	-	(6,439,640)		-
	6,439,640	-	(6,439,640)	-	-
<b>Assets on Finance Lease</b>					
Motor Vehicles	21,500,000	-	(21,500,000)	-	-
	21,500,000	-	(21,500,000)	-	-
<b>Total gross carrying amount</b>	<b>6,316,623,327</b>	<b>97,583,784</b>	<b>(364,939,640)</b>	<b>(5,039,364)</b>	<b>6,044,228,107</b>

## 14.1.2 Depreciation

	Balance as at 01.04.2019 Rs.	Charge for the year Rs.	Disposals Rs.	Balance as at 31.03.2020 Rs.
<b>At cost or valuation</b>				
Buildings	85,823,538	87,063,289	-	172,886,827
Furniture and Fittings	184,602,582	34,770,191	(781,102)	218,591,671
Plant & Machinery	61,556,326	13,230,170	-	74,786,496
Office Equipment	25,577,927	1,142,235	-	26,720,162
Sundry Equipment	20,765,854	764,780	-	21,530,634
Linen and Furnishing	67,809,507	7,629,563	(188,858)	75,250,212
Kitchen Utensils and Other Equipments	67,930,470	14,367,816	-	82,298,286
Air Condition Systems	88,133,470	17,019,051	-	105,152,521
Gardening & Other Equipments	24,925,469	5,212,962	-	30,138,431
Electrical Fittings	54,561,772	11,039,342	-	65,601,114
Cutlery Crockery & Glassware	10,044,366	2,233,641	(3,326,492)	8,951,515
Generator & Transformers	17,973,159	3,366,121	-	21,339,280
Motor Vehicles	4,977,375	143,453	-	5,120,828
Entertainment and Security Equipment	51,722,461	1,580,294	(447,651)	52,855,104
	766,404,276	199,562,908	(4,744,103)	961,223,081

	Balance as at 01.04.2019 Rs.	Charge for the year Rs.	Transfers to 'Right-of-use assets" Rs.	Balance as at 31.03.2020 Rs.
<b>Assets on finance lease</b>				
Motor vehicles	15,092,858	-	(15,092,858)	-
<b>Total depreciation</b>	781,497,134	199,562,908	(19,836,961)	961,223,081

## Notes to the Financial Statements

Year ended 31 March

### 14.1.3 Net book values

	2020 Rs.	2019 Rs.
<b>At cost or valuation</b>		
Freehold Land	1,359,457,500	1,696,457,500
Buildings	3,323,543,809	3,356,168,056
Furniture and Fittings	30,134,945	54,364,863
Plant & Machinery	57,603,373	70,115,566
Office Equipment	3,553,404	2,329,922
Sundry Equipment	1,720,558	1,920,938
Linen and Furnishing	14,651,068	11,159,870
Kitchen Utensils and Other Equipments	62,342,407	74,422,748
Air Condition Systems	140,667,032	156,297,938
Gardening & Other Equipments	1,379,706	6,592,668
Electrical Fittings	45,387,938	54,786,109
Cutlery Crockery & Glassware	3,956,117	2,633,829
Generator & Transformers	27,464,813	30,830,934
Motor Vehicles	-	143,453
Entertainment and Security Equipment	11,142,356	4,055,017
	<b>5,083,005,026</b>	<b>5,522,279,411</b>
<b>In the course of construction</b>		
Building work in progress	-	6,439,640
<b>Assets on finance leases</b>		
Motor vehicles	-	6,407,142
<b>Total carrying amount of property, plant and equipment</b>	<b>5,083,005,026</b>	<b>5,535,126,193</b>

**14.1.4** During the financial year, the Group acquired property, plant and equipment for cash to the aggregate value of Rs. 88,234,728/- (2019: Rs. 45,455,182/-).

**14.1.5** Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 204,425,670/- (2019: Rs. 188,656,958/-).

## 14.2 Company

### 14.2.1 Gross Carrying Amounts

	Balance as at 01.04.2019 Rs.	Additions / Transfers in Rs.	Transfers to Investment properties Rs.	Disposals Rs.	Balance as at 31.03.2020 Rs.
<b>At cost or valuation</b>					
Freehold Land	711,520,000	-	(337,000,000)	-	374,520,000
Buildings	591,444,597	53,861,340	-	-	645,305,937
Furniture and Fittings	46,142,432	8,510,712	-	-	54,653,144
Plant & Machinery	885,272	-	-	-	885,272
Office Equipment	9,416,536	1,123,274	-	-	10,539,810
Sundry Equipment	22,686,792	564,400	-	-	23,251,192
Linen and Furnishing	19,080,996	6,505,084	-	-	25,586,080
Kitchen Utensils and Other Equipments	16,503,741	1,222,647	-	-	17,726,388
Air Condition Systems	61,048,094	989,820	-	-	62,037,914
Gardening & Other Equipment	347,512	-	-	-	347,512
Electrical Fittings & Other Equipments	32,387,711	1,339,681	-	-	33,727,392
Cutlery Crockery & Glassware	3,426,517	876,911	-	(639,677)	3,663,751
Generator and Transformers	10,525,893	-	-	-	10,525,893
Motor Vehicles	3,970,062	-	-	-	3,970,062
Entertainment & Security Equipment	6,693,299	1,193,880	-	-	7,887,179
	1,536,079,454	76,187,749	(337,000,000)	(639,677)	1,274,627,526

	Balance as at 01.04.2019 Rs.	Incurred during the year Rs.	Transfers Rs.	Disposals Rs.	Balance as at 31.03.2020 Rs.
<b>In the course of construction</b>					
Building work in progress	6,439,640	-	(6,439,640)	-	-
<b>Total Gross Carrying Amount</b>	1,542,519,094	76,187,749	(343,439,640)	(639,677)	1,274,627,526

## Notes to the Financial Statements

Year ended 31 March

### 14.2.2 Depreciation

	Balance as at 01.04.2019 Rs.	Charge for the year Rs.	Transfers Rs.	Disposals Rs.	Balance as at 31.03.2020 Rs.
<b>At cost or valuation</b>					
Buildings	14,712,794	15,603,921	-	-	30,316,715
Furniture & Fittings	40,258,815	2,358,460	-	-	42,617,275
Plant & Machinery	632,580	88,524	-	-	721,104
Office Equipment	7,822,696	552,698	-	-	8,375,394
Sundry Equipment	20,765,854	764,780	-	-	21,530,634
Linen and Furnishing	16,743,573	2,697,604	-	-	19,441,177
Kitchen Utensils and Other Equipments	9,454,005	1,682,344	-	-	11,136,349
Air Condition Systems	31,736,566	4,751,128	-	-	36,487,694
Gardening & Other Equipments	343,888	3,624	-	-	347,512
Electrical Fitting	18,765,343	3,312,044	-	-	22,077,387
Cutlery Crockery & Glassware	3,066,470	692,874	-	(639,677)	3,119,667
Generator and Transformers	5,866,242	807,250	-	-	6,673,492
Motor Vehicles	3,916,100	53,962	-	-	3,970,062
Entertainment & Security Equipment	6,501,263	125,183	-	-	6,626,446
<b>Total Depreciation</b>	<b>180,586,189</b>	<b>33,494,396</b>	<b>-</b>	<b>(639,677)</b>	<b>213,440,908</b>



## 14.2.3 Net book values

	2020 Rs.	2019 Rs.
<b>At cost or valuation</b>		
Freehold land	374,520,000	711,520,000
Buildings	614,989,222	576,731,803
Furniture & Fittings	12,035,869	5,883,616
Plant & Machinery	164,168	252,692
Office Equipment	2,164,416	1,593,840
Sundry Equipment	1,720,558	1,920,938
Linen and Furnishing	6,144,903	2,337,423
Kitchen Utensils and Other Equipments	6,590,039	7,049,737
Air Condition Systems	25,550,220	29,311,529
Gardening & Other Equipments	-	3,624
Electrical Fitting	11,650,005	13,622,368
Cutlery Crockery & Glassware	544,084	360,047
Generator and Transformers	3,852,401	4,659,652
Motor Vehicles	-	53,962
Entertainment & Security Equipment	1,260,733	192,036
	<b>1,061,186,618</b>	<b>1,355,493,267</b>
<b>In the course of construction</b>		
Building work in progress	-	6,439,640
	-	6,439,640
<b>Total carrying amount of property, plant and equipment</b>	<b>1,061,186,618</b>	<b>1,361,932,907</b>

**14.2.4** During the financial year, the company acquired property, plant and equipment for cash to the aggregate value of Rs. 69,748,109/- (2019: Rs. 12,193,494/-).

**14.2.5** Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 90,481,812/- (2019: Rs. 78,073,867/-).

## Notes to the Financial Statements

Year ended 31 March

### 14.3 Revaluation of land and Buildings

The freehold land and buildings belonging to Waskaduwa Beach Resort PLC and Hikkaduwa Beach Resort PLC were revalued by Mr. T. M. H. Mutaliph - D. I. V. (Sri Lanka), Incorporated Valuer as at 31 March 2018. The results of such revaluation were incorporated in these financial statements from its effective date which is 31 March 2018. Such assets were valued based on market based evidence and depreciated replacement cost method. The surplus arising from the revaluation was transferred to the revaluation reserve.

#### 14.3.1 Valuation technique, inputs and relationship with fair value

The fair value measurement for the freehold land and buildings of the group has been categorized as a Level 3 fair value measurement based on the inputs to the valuation technique used.

Property	Valuation technique	Effective date of valuation	Significant unobservable inputs	Sensitivity of the input to the fair value
Lands	<u>Open market value method</u> This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature and location of the property.	31 March 2018	Price per perch of land Rs. 750,000 - Rs. 1,200,000	Estimated fair value would increase/ (decrease) if :- Price per perch increases/ (decreases)
Buildings	Depreciated replacement cost method	31 March 2018	Rate per square feet of building Rs. 2,750 - Rs. 15,000	Estimated fair value would increase/ (decrease) if :- Rate per square feet increases/(decreases)

#### Covid 19 effect on fair value of land and buildings

On 11 March 2020, world health organization has declared the Covid 19 as a global pandemic and as at 31 March 2020, the pandemic condition was at its initial stage and considered too premature to reasonably assess its impact on the market prices of the properties at the reporting date. Therefore, the management has determined that the value of land and building does not reflect any material deviation with prevailing market conditions as at the reporting date and carrying value of the assets approximate the fair value as at 31 March 2020.

**14.4 Value and ownership of freehold land and freehold buildings of the Group.**

Company	Location	Property	No. of Buildings	Ownership	Extent	Carrying value Rs.
Hikkaduwa Beach Resort PLC	No. 400, Galle Road, Hikkaduwa.	Land Building	- 01	Freehold Freehold	312.1 Perches 80,700 Sq. ft	374,520,000 614,989,222
Waskaduwa Beach Resort PLC	No. 427. Kudawaskaduwa, Waskaduwa.	Land Building	- 01	Freehold Freehold	1,313.25 Perches 79,781 Sq. ft	984,937,500 2,708,554,588

- 14.5** The carrying amount of revalued assets that would have been included in the financial statements had the assets been carried at cost less accumulated depreciation is as follows.

	Cost Rs.	Cumulative depreciation if assets were carried at cost Rs.	Net carrying amount 2020 Rs.	Net carrying amount 2019 Rs.
<b>Class of assets</b>				
Lands	869,823,714	-	<b>869,823,714</b>	1,133,670,395
Buildings	3,195,298,077	(437,102,288)	<b>2,758,195,789</b>	2,783,620,831
	4,065,121,791	(437,102,288)	<b>3,628,019,503</b>	3,917,291,226

**14.6 Impairment Assessment of Cash Generating Units (CGU)**

Hotel properties were identified as separate CGUs by the group for purposes of assessing impairment. The impairment test was carried out for the company's hotel property and the hotel property of Waskaduwa Beach Resort PLC considering their value in use. In determining the value in use for the CGU, the cash flows were calculated based on the below mentioned assumptions. The recoverable amount of the CGU was higher than the book value as of 31 March 2020, and no impairment loss was recognized.

The key assumptions used to determine the recoverable amount for the different cash generating units, are as follows;

Discount Rate : 12.85%  
 Annual Revenue Growth : 8 - 15% (over ensuing 5 year period)  
 Terminal Growth Rate : 4.00%

## Notes to the Financial Statements

Year ended 31 March

### 15 INVESTMENT PROPERTY

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
<b>Carrying value</b>				
At the beginning of the year	-	-	-	-
Transfer from non current assets held for sale	221,991,266	-	221,991,266	-
Transfer from property, plant and equipment	337,000,000	-	337,000,000	-
At the end of the year	558,991,266	-	558,991,266	-

The details relating to assets were classified as held for sale as at 31 March 2020 are stated below;

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
<b>Assets</b>				
Land	553,625,000	-	553,625,000	-
Buildings	5,366,266	-	5,366,266	-
	558,991,266	-	558,991,266	-

#### Valuation details of investment property

Fair value of the investment property is ascertained by independent valuations carried out by Mr. S. Sivaskantha - F. I. V. (Sri Lanka) and Mr. T. M. H. Mutaliph - D. I. V. (Sri Lanka), Incorporated Valuer Incorporated Values, who have recent experience in valuing properties of similar location and category. Investment property is appraised in accordance with LKAS 40, SLFRS 13 and International Valuation Standards published by the International Valuation Standards Committee (IVSC) by the independent valuers. In determining the fair value, the current condition of the properties, future usability and associated re-development requirements have been considered. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

### Impact of COVID-19

As a result of the COVID-19 outbreak in Sri Lanka during the last part of the quarter ended 31 March 2020, a reassessment of the valuation was obtained by the same independent professional valuers who determined no significant change to the revalued carrying amount provided as at 31 March 2018.

In the reassessment reports to the Group, the valuers stated following facts as basis for the judgement;

The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted both local and global markets.

Consequently, as at the reporting date, the value reflected represents the best estimate based on the market conditions that prevailed, which in considered opinion, meets the requirements in SLFRS-13 Fair Value Measurement.

### Description of valuation techniques used to valuation on investment properties:

Property	Location	Method of valuation	Effective date of valuation	Net carrying amount 2020 Rs.
Land	Munaithottam, Pasikkudah, Kalkudah.	Open market value method	31 March 2018	337,000,000
Land	Kajuwatta Road, Mukkuthoduwawa, Madurankuliya	Open market value method	31 March 2018	216,625,000
Building	Kajuwatta Road, Mukkuthoduwawa, Madurankuliya	Depreciated replacement cost method	31 March 2018	5,366,266

## Notes to the Financial Statements

Year ended 31 March

### 16 RIGHT-OF-USE ASSETS

	Group			Company
	Lease hold properties Rs.	Motor vehicles Rs.	Total Rs.	Lease hold properties Rs.
<b>Cost</b>				
As at 1 April 2019 - Recognition of operating leases under SLFRS 16	-	-	-	-
Transferred from previously recognised leasehold properties	184,366,923	-	184,366,923	184,366,923
Transferred from property, plant and equipment	-	6,407,142	6,407,142	-
<b>As at 31 March 2020</b>	<b>184,366,923</b>	<b>6,407,142</b>	<b>190,774,065</b>	<b>184,366,923</b>
<b>Accumulated depreciation</b>				
As at 1 April 2019	-	-	-	-
Depreciation charge for the year	2,026,008	4,308,717	6,334,725	2,026,008
<b>As at 31 March 2020</b>	<b>2,026,008</b>	<b>4,308,717</b>	<b>6,334,725</b>	<b>2,026,008</b>
<b>Carrying value</b>	<b>182,340,915</b>	<b>2,098,425</b>	<b>184,439,340</b>	<b>182,340,915</b>

### 17 LEASEHOLD PROPERTY

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
As at 01 April	<b>184,366,923</b>	186,392,931	<b>184,366,923</b>	186,392,931
Amortization for the year	-	(2,026,008)	-	(2,026,008)
Transfer to right-of-use assets	<b>(184,366,923)</b>	-	<b>(184,366,923)</b>	-
<b>At 31 March</b>	<b>-</b>	<b>184,366,923</b>	<b>-</b>	<b>184,366,923</b>

The Above balances represents the leasehold right obtained from Asia Sports Management (Private) Limited for a period of 99 years by Citrus Leisure PLC and Sub lease of the property to Hikkaduwa Beach Resort PLC.

Details of lease rentals paid in advance is given below:

Property: Sanathoduwa, Kalpitiya, Puttalam

Land Extent (In Perches): 5,680

Lease Period : 99 Years from 14 February 2011

On adoption of SLFRS 16 on 1 April 2019, the balances in the leasehold property was transferred to right-of-use assets.

## 18 INTANGIBLE ASSETS

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
<b>Computer software Cost</b>				
As at 01 April	1,886,403	957,851	658,820	310,613
Additions during the year	1,977,207	928,552	894,116	348,207
As At 31 March	3,863,610	1,886,403	1,552,936	658,820
<b>Amortisation</b>				
As at 01 April	806,740	639,770	263,109	190,023
Amortisation for the year	486,333	166,970	190,438	73,086
At 31 March	1,293,073	806,740	453,547	263,109
<b>Net book value</b>	<b>2,570,537</b>	<b>1,079,663</b>	<b>1,099,389</b>	<b>395,711</b>

Intangible Asset is amortized over 04 years

## 19 INVESTMENT IN ASSOCIATE

The Group has a 20.22% interest in Colombo Land & Development Company PLC, which is involved in leasing out investment property under operating leases and also involved in development of investment property. The cost of investment as at acquisition date was Rs.1,303,303,398/-.

Colombo Land & Development Company PLC ("Company") is a public limited liability Company listed on Colombo Stock Exchange and incorporated and domiciled in Sri Lanka. The registered office and principal place of business of the Company is located at No. 250 - 3/8, (3rd Floor) Liberty Plaza, R. A. De Mel Mawatha, Colombo 3

			Group / Company	
	2020 No of shares	2019 No of shares	2020 Rs.	2019 Rs.
<b>Carrying value of the investment</b>				
Colombo Land & Development Company PLC	40,413,200	40,413,200	2,158,272,798	2,085,321,120
Share of profit/(loss) of associate			62,624,772	66,132,414
Share of other comprehensive income of associate			(4,207,317)	6,819,264
			2,216,690,253	2,158,272,798
Impairment of investment in associate (Note 19.4)			-	-
<b>Group's carrying amount of the investment</b>			<b>2,216,690,253</b>	<b>2,158,272,798</b>

## Notes to the Financial Statements

Year ended 31 March

### 19.1 Summarised Financial information of associate - Group

The following table illustrates the summarised financial information of Colombo Land & Development Company PLC:

	As at 31.03.2020 Rs.	As at 31.03.2019 Rs.
<b>Statement of financial position</b>		
Current assets	240,611,315	455,831,876
Non- current assets	12,946,402,680	12,767,753,515
Current liabilities	(536,671,586)	(641,035,504)
Non- current liabilities	(4,992,458,215)	(4,920,516,197)
<b>Total equity</b>	<b>7,657,884,194</b>	<b>7,662,033,690</b>

#### Summarised statement of profit or loss and other comprehensive income

	Year ended 31.03.2020 Rs.	Year ended 31.03.2019 Rs.
Revenue	459,323,128	485,810,403
Direct expenses	(134,719,690)	(122,846,091)
Other operating income	1,465,262	47,965,862
Change in fare value of investment properties	591,454,431	424,461,800
Selling and marketing expenses	(20,002,796)	(8,116,897)
Administrative expenses	(108,553,902)	(100,958,759)
Finance expenses	(239,892,733)	(220,494,496)
<b>Profit before tax</b>	<b>549,073,700</b>	<b>505,821,822</b>
Tax Expenses	(239,356,725)	(178,757,460)
<b>Profit for the year</b>	<b>309,716,975</b>	<b>327,064,362</b>
<b>Group's share of profit for the year</b>	<b>62,624,772</b>	<b>66,132,414</b>
<b>Other Comprehensive Income/(Expenses)</b>		
Other Comprehensive Income/(Expenses) for the year	(20,807,699)	33,725,340
<b>Group share of other comprehensive Income for the year</b>	<b>(4,207,317)</b>	<b>6,819,264</b>



## 19.2 Contingent Liabilities

The associate does not have significant contingent liabilities as at 31 March 2020 (31 March 2019 - 108 Million).

## 19.3 Market value of the investment as at 31 March,

	2020 Rs.	2019 Rs.
Market value of a share	13.70	11.80
Market value of the investment	553,660,840	476,875,760

- 19.4** The Group performed an impairment test of carrying value of the investment considering indicators of impairment identified as at 31 March 2020. There was no impairment required as the carrying amount of the investment did not fall below its recoverable value.

In performing the impairment test, the Group engaged KPMG Sri Lanka to determine the fair value of the investment held in Colombo Land & Development Company PLC. The investment in associate has been considered as a single cash-generating unit for purposes of the impairment test where, the fair value of all operated properties has been considered together with the fair value of lease rights legally vesting on the investees.

Significant judgement has been applied by the Group in considering the fair value of leasehold rights attached to a 9A-2R-2P property in Colombo 11 for which no physical possession has been obtained by the investee. Whilst appropriate discounts have been applied by the Group in factoring in uncertainties over timing of obtaining physical possession of the lease right, the impairment test remains sensitive to the valuation attached to the same.

## 20 INVESTMENT IN SUBSIDIARY - COMPANY

	Holding		Carrying value	
	2020 %	2019 %	2020 Rs.	2019 Rs.
<b>Quoted</b>				
Waskaduwa Beach Resort PLC	97.99%	94.43%	2,764,505,122	1,905,090,720
Less: Impairment of subsidiary (Note 20.1)			(494,100,670)	(126,569,517)
			2,270,404,452	1,778,521,203
Gross Investment as at 1 April			1,905,090,720	1,905,090,720
Investment during the Year			859,414,402	-
Less: Impairment of Subsidiary			(494,100,670)	(126,569,517)
Investment as at 31 March			2,270,404,452	1,778,521,203

## Notes to the Financial Statements

Year ended 31 March

### 20.1 Impairment of subsidiary

The Group performed an impairment test of carrying value of the investment in Waskaduwa Beach Resort PLC in the separate financial statements of the Company having considering the losses incurred by the subsidiary. The recoverable amount of the investment in Subsidiary as at the reporting date was based on value in use and was determined at the level of the CGU. An impairment loss of Rs. 367,531,153/- (2019-Rs. 126,569,517/-) was recognized in the statement of profit or loss as follows.

	2020 Rs.	2019 Rs.
Impairment of Subsidiary as at 1 April	126,569,517	-
Charge to the statement of profit or loss	367,531,153	126,569,517
Impairment of Subsidiary as at 31 March	494,100,670	126,569,517

Key assumptions applied in the determination of value in use are as follows;

	2020	2019
Discount Rate :	12.85%	13.54%
Annual Revenue Growth :	8 - 15% (over ensuing 5 year period)	10 - 15% (over ensuing 5 year period)
Terminal Growth Rate :	4%	4.50%

### 20.2 Sensitivity of the principal assumptions used

Values appearing in the financial statements are very sensitive to the changes in financial and non financial assumptions used.

A Sensitivity analysis was carried out as follows,

	Company	
	2020 Rs.	2019 Rs.
<b>Discount Rate</b>		
Effect on Impairment due to decrease in the discount rate by 0.25%	135,260,505	123,052,079
Effect on Impairment due to increase in the discount rate by 0.25%	(127,686,479)	(116,371,129)
<b>Terminal Growth Rate :</b>		
Effect on Impairment due to decrease in terminal growth rate by 0.25%	(94,216,866)	(84,411,268)
Effect on Impairment due to increase in terminal growth rate by 0.25%	99,694,591	89,211,491

**21 TRADE AND OTHER RECEIVABLES**

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Trade debtors - Others	91,243,913	130,840,388	38,106,288	51,520,109
- Related parties (Note 21.3)	5,344,109	10,479,372	713,272	420,659
Total trade debtors (Note 21.1)	96,588,022	141,319,760	38,819,560	51,940,768
Less: Impairment for trade debtors (Note 21.2)	(6,423,821)	(4,577,966)	(2,725,652)	(1,191,622)
	90,164,201	136,741,794	36,093,908	50,749,146
Other debtors - Others	4,069,380	7,774,826	2,536,564	2,068,768
- Related parties (Note 21.4)	-	13,804,175	-	863,674,978
	94,233,581	158,320,795	38,630,472	916,492,892
Current trade and other receivables	94,233,581	147,874,374	38,630,472	53,331,968
Non-current other receivables - related parties	-	10,446,421	-	863,160,924

**21.1** As at 31 March, the ageing analysis of trade receivables are as follows:

	Impaired	Neither past due nor impaired < 30 days	Pastdue not Impaired				Total
			31 - 60 days	61 - 90 days	91 - 120 days	> 120 days	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.

**Group**

2020	6,423,821	32,449,413	29,311,273	18,988,418	2,787,783	6,627,314	96,588,022
2019	4,577,966	81,211,440	28,341,898	8,382,084	32,321	18,774,051	141,319,760

**Company**

2020	2,725,652	11,829,669	11,995,754	9,462,634	1,389,502	1,416,349	38,819,560
2019	1,191,622	27,401,062	16,447,725	4,428,802	-	2,471,557	51,940,768

## Notes to the Financial Statements

Year ended 31 March

### 21.2 Impairment of debtors

Management has carried out an impairment provision based on the simplified approach of ECL method. Management considered 100% ECL for debtors aged more than 365 days in determining the provision matrix for ECL.

- Refer Note 38 on credit risk of trade receivables, which discuss how the Group measure credit quality of trade receivables that are neither past due nor impairment.
- For terms and conditions with related parties, refer to Note 37.1.

### 21.3 Trade debtors - Related Parties

	Relationship	Group		Company	
		2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Citrus Vacations Limited	Affiliate Company	-	54,115	-	54,115
George Steuart Health (Pvt) Ltd	Affiliate Company	394,280	641,161	157,780	287,761
Triad (Pvt) Ltd	Affiliate Company	1,376,616	2,051,196	71,545	78,783
George Steuart Travels Ltd	Affiliate Company	190,252	64,743	129,161	-
Citrus Silver Limited	Affiliate Company	-	4,434,482	-	-
Emagewise (Pvt) Ltd	Affiliate Company	-	576,650	-	-
George Steuart Teas (Pvt) Ltd	Affiliate Company	-	19,000	-	-
George Steuart Solutions (Pvt) Ltd	Affiliate Company	634,865	609,865	-	-
Liberty Publishers (Pvt) Ltd	Affiliate Company	354,786	-	354,786	-
Power House Limited	Affiliate Company	2,393,310	2,028,160	-	-
		5,344,109	10,479,372	713,272	420,659

## 21.4 Other debtors - Related Parties

		Group					
		2020			2019		
		Total	Non-current	Current - Other	Total	Non-current	Current - Other
	Relationship	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Citrus Leisure PLC	Parent Company	-	-	-	2,150,940	-	2,150,940
Citrus Vacations Limited	Affiliate Company	-	-	-	926,859	926,859	-
Citrus Silver Limited	Affiliate Company	-	-	-	10,033,616	9,519,562	514,054
Enagewise (Pvt) Ltd	Affiliate Company	-	-	-	486,575	-	486,575
Citrus Aqua Limited	Affiliate Company	-	-	-	206,185	-	206,185
		-	-	-	13,804,175	10,446,421	3,357,754

## Other debtors - Related Parties

		Company					
		2020			2019		
		Total	Non-current	Current - Other	Total	Non-current	Current - Other
	Relationship	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Citrus Vacations Limited	Affiliate Company	-	-	-	678,324	678,324	-
Citrus Silver Limited	Affiliate Company	-	-	-	4,462,129	3,948,075	514,053
Waskaduwa Beach Resort PLC	Subsidiary Company	-	-	-	858,534,525	858,534,525	-
		-	-	-	863,674,978	863,160,924	514,053

## Notes to the Financial Statements

Year ended 31 March

### 22 INVENTORIES

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Food & Beverage	12,882,693	13,647,434	3,788,536	4,825,937
House keeping and Maintenance	6,551,662	6,012,339	3,993,384	3,797,305
Other Stocks	4,797,278	5,994,025	769,429	825,176
	24,231,633	25,653,798	8,551,349	9,448,418

### 23 OTHER CURRENT FINANCIAL ASSETS

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Equity instruments designated at fair value through profit or loss				
Listed equity investments (Note 23.1)	266,800	385,480	266,800	385,480
Other financial assets at amortized cost				
Investments in bank deposits (Note 23.2)	20,811,330	19,219,192	-	-
<b>Total other financial assets</b>	<b>21,078,130</b>	<b>19,604,672</b>	<b>266,800</b>	<b>385,480</b>

#### 23.1 Investment in quoted securities - Group/Company

	No. of shares		Carrying value	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
<b>Quoted</b>				
Asian Hotels and Properties PLC	9,200	9,200	266,800	385,480
	9,200	9,200	266,800	385,480

**23.2 Investments in bank deposits**

	Credit Rating	Group		Company	
		2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Sampath Bank PLC	A+(lka)	20,811,330	19,219,192	-	-
		20,811,330	19,219,192	-	-

**Impairment of investments in fixed deposits**

Management has assessed the provision of impairment of fixed deposits by considering the credit ratings of these institutions and considering other economic factors and concluded that the resulting impairment provision is immaterial to the financial statements.

**24 ADVANCES AND PREPAYMENTS**

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Advances	10,749,968	11,221,901	2,579,205	3,207,677
Prepayments	6,442,596	7,577,012	2,198,993	2,086,737
Other receivables	720,368	1,848,272	174,088	2,014,736
	17,912,932	20,647,185	4,952,286	7,309,150

**25 CASH AND BANK BALANCES**

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Cash in hand	4,727,068	5,579,360	2,602,150	1,809,801
Cash at bank	2,908,501	4,938,567	1,117,325	2,620,744
	7,635,569	10,517,927	3,719,475	4,430,545

## Notes to the Financial Statements

Year ended 31 March

### 26 ASSETS HELD FOR SALE

The management were unable to sell the land and building at the expected bid price. Therefore, the Board has changed its original intention of selling the said properties and, decided to develop the agricultural land or hold for capital appreciation. Accordingly, net book value of land and buildings amounting to Rs. 221,991,266/- have been reclassified and reported as "Investment Property" as at the reporting date.

#### 26.1 The details relating to assets were classified as held for sale as at 31 March 2020 are stated below;

	Group/Company	
	2020 Rs.	2019 Rs.
<b>Assets</b>		
Land	-	216,625,000
Buildings	-	5,366,266
	-	221,991,266

### 27 STATED CAPITAL

	2020		2019	
	Number	Rs.	Number	Rs.
As at 1 April	204,782,354	4,311,571,166	204,782,354	4,311,571,166
Issued during the year	80,116,000	312,452,400	-	-
As at 31 March	284,898,354	4,624,023,566	204,782,354	4,311,571,166

Pursuant to the Rights Issue of Shares approved by the shareholders at the Extraordinary General Meeting held on 08 April 2019, 80,116,000 Ordinary Voting Shares were allotted on 10 May 2019. The company issued total number of shares 80,116,000 (at Rs. 3.90) in Colombo Stock Exchange in the proportion of Two (2) new ordinary shares for every Five (5) ordinary voting shares held by the shareholders as at 08 April 2019, of which 80,063,161 shares were allotted to Citrus Leisure PLC, thereby converting the restructured debt Rs.312,246,328/- that was payable to Citrus Leisure PLC. The cash subscription received of Rs.206,072.10 in respect of 52,839 shares was utilised to reduce the debt owed to Nations Trust Bank on 04 June 2019. The new 80,116,000 Ordinary Voting Shares were listed on the Colombo Stock Exchange on 23 May 2019.



**28 REVALUATION RESERVES****Nature and purpose of the reserve**

Revaluation reserve is used to record increments and decrements on the revaluation of lands and buildings of the Group. In the event of a sale or disposal of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings, see accounting policy note 2.3(h) for details.

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Revaluation reserve at the beginning of the year	856,753,294	849,934,030	249,819,145	242,878,465
Share of other comprehensive income/ (loss) attributable to associate, net of tax	(3,754,951)	6,819,264	(3,754,951)	6,940,680
Revaluation reserve at the end of the year	852,998,343	856,753,294	246,064,194	249,819,145

**29 INTEREST BEARING LOANS AND BORROWINGS****Other Financial Liabilities**

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
<b>Current Interest -bearing loans and borrowings</b>				
Obligations under finance leases (Note 29.3)	-	4,036,645	-	-
Bank Loans (Note 29.1)	-	182,105,000	-	168,605,000
Bank Overdrafts	399,455,434	429,018,285	242,599,745	271,996,642
	399,455,434	615,159,930	242,599,745	440,601,642
<b>Non-Current Interest -bearing loans and borrowings</b>				
Bank Loans (Note 29.1)	2,474,423,188	1,984,375,000	910,062,040	611,475,000
Obligations under finance leases (Note 29.3)	-	1,461,409	-	-
	2,474,423,188	1,985,836,409	910,062,040	611,475,000
<b>Total Interest-bearing loans and borrowings</b>	<b>2,873,878,622</b>	<b>2,600,996,339</b>	<b>1,152,661,785</b>	<b>1,052,076,642</b>

## Notes to the Financial Statements

Year ended 31 March

### 29.1 Bank Loans - Group

	As at 01.04.2019	Obtained during the year	Interest accrued during the moratorium period	Repayments	As at 31.03.2020
	Rs.	Rs.	Rs.	Rs.	Rs.
Sampath Bank PLC	1,749,080,000	-	223,538,985	(13,780,000)	1,958,838,985
National Development Bank PLC	25,000,000	100,000,000	-	(75,000,000)	50,000,000
Pan Asia Banking Corporation PLC	392,400,000	-	54,745,406	(3,600,000)	443,545,406
Nations Trust Bank PLC	-	25,000,000	-	(2,961,203)	22,038,797
	2,166,480,000	125,000,000	278,284,391	(95,341,203)	2,474,423,188

	2020 Rs.	2019 Rs.
Current	-	182,105,000
Non-current	2,474,423,188	1,984,375,000
	2,474,423,188	2,166,480,000

### 29.2 Bank Loans - Company

	As at 01.04.2019	Obtained during the year	Interest accrued during the moratorium period	Repayments	As at 31.03.2020
	Rs.	Rs.	Rs.	Rs.	Rs.
Sampath Bank PLC	362,680,000	-	44,077,837	(12,280,000)	394,477,837
National Development Bank PLC	25,000,000	100,000,000	-	(75,000,000)	50,000,000
Pan Asia Banking Corporation PLC	392,400,000	-	54,745,406	(3,600,000)	443,545,406
Nations Trust Bank PLC	-	25,000,000	-	(2,961,203)	22,038,797
	780,080,000	125,000,000	98,823,243	(93,841,203)	910,062,040

	2020 Rs.	2019 Rs.
Current	-	168,605,000
Non-current	910,062,040	611,475,000
	910,062,040	780,080,000

**29.3 Finance Lease - Group**

	As at 01.04.2019 Rs.	New lease obtained Rs.	Transfer to Lease liability Rs.	As at 31.03.2020 Rs.
Hatton National Bank PLC	5,916,272	-	(5,916,272)	-
Gross liability	5,916,272	-	(5,916,272)	-
Less: Finance charges allocated to future period	(418,218)	-	418,218	-
<b>Net Liability</b>	<b>5,498,054</b>	<b>-</b>	<b>(5,498,054)</b>	<b>-</b>

	2020 Rs.	2019 Rs.
Current	-	4,036,645
Non Current	-	1,461,409
	-	5,498,054

The minimum lease payments and the present value of minimum lease payments are as follows;

	Gross liability		Net liability	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Payable within 1 year	-	4,148,940	-	4,036,645
Payable after 1 year before 5 years	-	1,767,332	-	1,461,409
	-	5,916,272	-	5,498,054
Less: Amount representing finance charges	-	(418,218)		
<b>Net liability</b>	<b>-</b>	<b>5,498,054</b>		

Notes to the Financial Statements

Year ended 31 March

29.4 Security and repayment terms

Lender	Nature of facility	Nominal Interest rate	Repayment terms	Details of collaterals	Carrying Value of Facility		Carrying Value of Assets pledge	
					2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Waskaduwa Beach Resort PLC								
Sampath Bank PLC	Permanent Overdraft	Annual effective rate of the Fixed Deposits + applicable margin percentage payable monthly together with statutory taxes	On demand	Overdraft Agreement for Rs. 17,250,000/- & Lien over funds lying to the credit of following Fixed Deposits in the name of the company and its successive renewal together with a Company Letter of Set – Off FD No. 2029 1587 7947 for Rs.13,375,026.80 & 2029 1601 9091 for Rs.6,281,362.48/-.	15,843,797	21,275,034	20,811,330	19,219,192
Sampath Bank PLC	Permanent Overdraft	AWPLR+ 2% p.a. payable monthly together with statutory taxes (AWPLR to be reviewed monthly)	On demand	Overdraft Agreement for Rs. 75,000,000/- Primary Mortgage Bond for USD 8,120,000/- (Equivalent to Rs.1,258,600,000/- approx.) and additional Mortgage Bond for Rs.617,000,000/- over Land and and building of Hotel Citrus Waskaduwa at No.427, Samanthara Road, Kuda Waskaduwa, Kaluthara , depicted as Lot 1 in Plan No.1761 dated 28 April 2011 made by J/R Alahakone Licensed Surveyor.	84,981,757	77,766,912	3,693,492,088	3,764,373,754

Lender	Nature of facility	Nominal Interest rate	Repayment terms	Details of collaterals	Carrying Value of Facility		Carrying Value of Assets pledge	
					2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Sampath Bank PLC	Term Loan Facility	AWPLR+1.5% p.a. payable monthly together with statutory taxes (AWPLR to be reviewed monthly)	134 Monthly Installments starting from April 2021	Loan Agreement for Rs. 602,000,000/- Primary Mortgage Bond for USD 8,120,000/- (Equivalent to Rs.1,258,600,000/- approx.) and additional Mortgage Bond for Rs.617,000,000/- over Land and and building of Hotel Citrus Waskaduwa at No.427, Samanthara Road, Kuda Waskaduwa, Kaluthara , depicted as Lot 1 in Plan No.1761 dated 28 April 2011 made by J R Alahakone Licensed Surveyor.	540,500,000	541,250,000	3,693,492,088	3,764,373,754
					844,400,000	845,150,000	3,693,492,088	3,764,373,754
Sampath Bank PLC	Term Loan Facility	AWPLR+1.5% p.a. payable monthly together with statutory taxes (AWPLR to be reviewed monthly)	134 Monthly Installments starting from April 2021	Loan Agreement for Rs. 1,048,000,000/- Primary Mortgage Bond for USD 8,120,000/- (Equivalent to Rs.1,258,600,000/- approx.) and additional Mortgage Bond for Rs.617,000,000/- over Land and and building of Hotel Citrus Waskaduwa at No.427, Samanthara Road, Kuda Waskaduwa, Kaluthara , depicted as Lot 1 in Plan No.1761 dated 28 April 2011 made by J R Alahakone Licensed Surveyor.	844,400,000	845,150,000	3,693,492,088	3,764,373,754
					844,400,000	845,150,000	3,693,492,088	3,764,373,754

Notes to the Financial Statements

Year ended 31 March

29.4 Security and repayment terms (Contd.)

Lender	Nature of facility	Nominal Interest rate	Repayment terms	Details of collaterals	Carrying Value of Facility			Carrying Value of Assets pledge		
					2020 Rs.	2019 Rs.		2020 Rs.	2019 Rs.	
Sampath Bank PLC	Term Loan Facility (Moratorium)	10% Per annum payable monthly together with statutory taxes	60 Monthly Installments Starting from July 2021	Loan Agreement for Rs.209,870,000/- Primary Mortgage Bond for USD 8,120,000/- (Equivalent to Rs.1,258,600,000/- approx.) and additional Mortgage Bond for Rs.617,000,000/- over Land and and building of Hotel Citrus Waskaduwa at No.427, Samanthara Road, Kuda Waskaduwa, Kaluthara , depicted as Lot 1 in Plan No.1761 dated 28 April 2011 made by J.R Alahakone Licensed Surveyor.	171,078,840	-		3,693,492,088	-	
					8,382,308	-		3,693,492,088	-	
Sampath Bank PLC	Term Loan Facility (Moratorium)	10% Per annum payable monthly together with statutory taxes	60 Monthly Installments Starting from July 2021	Loan Agreement for Rs.11,780,000/- Primary Mortgage Bond for USD 8,120,000/- (Equivalent to Rs.1,258,600,000/- approx.) and additional Mortgage Bond for Rs.617,000,000/- over Land and and building of Hotel Citrus Waskaduwa at No.427, Samanthara Road, Kuda Waskaduwa, Kaluthara , depicted as Lot 1 in Plan No.1761 dated 28 April 2011 made by J.R Alahakone Licensed Surveyor.						

Lender	Nature of facility	Nominal Interest rate	Repayment terms	Details of collaterals	Carrying Value of Facility		Carrying Value of Assets pledged	
					2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Commercial Bank of Ceylon PLC	Permanent Overdraft	AWPLR+2.5% p.a. payable monthly together with statutory taxes (AWPLR to be reviewed monthly)	On demand	Property called 'Sanathoduwa' situated in Kalpitiya and morefully depicted as Lots 1, 2, 3 & 4 in Plan No. 1765 dated 16th May 2011 by J. R. Alahakoon (L.S.) in extent of 78 A : 3 R: 1.00 P which is the amalgamation of the lands owned by the Hikkaduwa Beach Resort PLC under the Deed of Transfer No. 513 dated 14th February 2011, and the land obtained on lease by the Company from Asia Sports Management (Pvt) Ltd, an affiliated Company under the Deed of Lease No. 6289 dated 08th December 2010, and which is sub-leased to Hikkaduwa Beach Resort PLC (former Kalpitiya Beach Resort PLC) under the Deed of Sub Lease No. 514 dated 14th February 2011.	56,030,135	57,979,697	216,625,000	216,625,000

## Notes to the Financial Statements

Year ended 31 March

### 29.4 Security and repayment terms (Contd.)

Lender	Nature of facility	Nominal Interest rate	Repayment terms	Details of collaterals	Carrying Value of Facility		Carrying Value of Assets pledged	
					2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Hikkaduwa Beach Resort PLC								
Sampath Bank PLC	Term Loan Facility	AWPLR+1.5% p.a. payable monthly together with statutory taxes (AWPLR to be reviewed monthly)	40 Monthly Installments Starting from April 2021	Overdraft Agreement for Rs. 480,000,000/- Land and building of Hotel, Citrus – Hikkaduwa owned by Hikkaduwa Beach resort PLC at Hikkaduwa depicted as Lot A in survey Plan No.1647 dated 15.06.2004, & a Letter of Undertaking from Citrus Leisure PLC.	210,400,000	222,680,000	989,509,222	951,251,803
Sampath Bank PLC	Term Loan Facility	AWPLR+2.0% p.a. payable monthly together with statutory taxes. (AWPLR to be reviewed monthly)	84 Monthly Installments Starting from April 2021	Overdraft Agreement for Rs. 140,000,000/- Land and building of Hotel, Citrus – Hikkaduwa owned by Hikkaduwa Beach resort PLC at Hikkaduwa depicted as Lot A in survey Plan No.1647 dated 15.06.2004, & a Letter of Undertaking from Citrus Leisure PLC	140,000,000	140,000,000	989,509,222	951,251,803
Sampath Bank PLC	Term Loan Facility (Moratorium)	10% p.a. (fixed) payable monthly together with statutory taxes.	60 Monthly Installments Starting from July 2021	Overdraft Agreement for Rs. 53,100,000/- Land and building of Hotel, Citrus – Hikkaduwa owned by Hikkaduwa Beach resort PLC at Hikkaduwa depicted as Lot A in survey Plan No.1647 dated 15.06.2004, & a Letter of Undertaking from Citrus Leisure PLC	53,100,000	-	989,509,222	-



Lender	Nature of facility	Nominal interest rate	Repayment terms	Details of collaterals	Carrying Value of Facility		Carrying Value of Assets pledge	
					2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
National Development Bank PLC	Short Term Loan	14.5% per annum and adjusted periodically whenever necessary.	2 Monthly Installments Starting from April 2021	196,078,432 nos. shares (As at 31.03.2019 - 75,862,100) of Waskaduwa Beach Resort PLC	50,000,000	25,000,000	942,842,950	708,219,554
Pan Asia Banking Corporation PLC	Term Loan Facility	14.5% p.a. with a rebate of 2% p.a.	75 Monthly Installments Starting from April 2021	Quoted Equity Shares of 40,338,600 invested in Colombo Land & Development Company PLC & 9,200 Shares invested in Asian Hotel Properties PLC by Hikkaduwa Beach Resort PLC	388,800,000	392,400,000	2,149,554,070	2,158,658,271
Pan Asia Banking Corporation PLC	Permanent Overdraft	12.5% p.a.	On demand	Quoted Equity Shares of 40,338,600 invested in Colombo Land & Development Company PLC & 9,200 Shares invested in Asian Hotel Properties PLC by Hikkaduwa Beach Resort PLC	200,951,735	197,591,726	2,149,554,070	2,158,658,271
Pan Asia Banking Corporation PLC	Term Loan Facility (Moratorium)	1 Year TB Rate+3% p.a with a rebate of 2% p.a	24 Monthly Installments Starting from April 2021	Quoted Equity Shares of 40,338,600 invested in Colombo Land & Development Company PLC & 9,200 Shares invested in Asian Hotel Properties PLC by Hikkaduwa Beach Resort PLC	54,745,406	-	2,149,554,070	-

Notes to the Financial Statements

Year ended 31 March

29.4 Security and repayment terms (Contd.)

Lender	Nature of facility	Nominal Interest rate	Repayment terms	Details of collaterals	Carrying Value of Facility		Carrying Value of Assets pledge	
					2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Nations Trust Bank PLC	Permanent Overdraft	Weekly AWPLR+5.0% pa.	On demand	Overdraft Agreement for Rupees 25,000,000/-, Assignment over AMEX Receivables from the Company, Letter of Comfort from Citrus Leisure PLC	25,039,821	55,592,459	-	-
Nations Trust Bank PLC	Term Loan Facility	06 Month AWPLR+3.25% pa.	60 Monthly Installments Starting from April 2021	Term Loan Facility for Rupees 25,000,000/-, Assignment over AMEX Receivables from the Company, Letter of Comfort from Citrus Leisure PLC	22,038,797	-	-	-

**30 RETIREMENT BENEFIT OBLIGATION**

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Balance as at 01 April	17,630,112	14,433,848	13,309,622	11,336,739
Current service cost	2,930,847	2,310,244	1,305,863	1,208,099
Interest cost	1,939,312	1,443,385	1,464,058	1,133,674
Actuarial (gain)/loss arising from changes in assumptions	1,770,292	738,596	585,926	927,071
Payments made during the year	(1,833,076)	(1,295,961)	(1,334,426)	(1,295,961)
Balance as at 31 March	22,437,487	17,630,112	15,331,043	13,309,622

- 30.1** Following amount are recognized in profit or loss and other comprehensive income during the year in respect of the retirement benefit obligation.

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
<b>Expense recognized in profit or loss</b>				
Current service cost	2,930,847	2,310,243	1,305,863	1,208,099
Interest cost	1,939,312	1,443,385	1,464,058	1,133,674
	4,870,159	3,753,628	2,769,921	2,341,773
<b>Actuarial (gains) and losses recognized directly in OCI</b>				
Recognized during the period	1,770,292	738,597	585,926	927,071

Messrs. Actuarial and Management Consultants (Pvt) Ltd Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity on 31 March 2020. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The liability is not externally funded.

The Projected Unit Credit Method is used to determine the present value of the defined benefit obligation and the current service cost.

## Notes to the Financial Statements

Year ended 31 March

### 30.2 Assumptions used

The principle assumptions used were as follows,

	Group		Company	
	2020	2019	2020	2019
Discount rate	10%	11%	10%	11%
Future salary increment rate	8% - 10%	8% - 10%	10%	10%
Staff turnover rates	35% - 50%	30% - 50%	35%	30%
Retirement age	55 years	55 years	55 years	55 years

The principal demographic assumption underlying the valuation is the retirement age of 55 years, applied consistently for both years.

Assumptions regarding future mortality are based on A 1967/70 mortality table, issued by the Institute of Actuaries, London.

### 30.3 Sensitivity of the principal assumptions used

Values appearing in the financial statements are very sensitive to the changes in financial and non financial assumptions used.

A Sensitivity analysis was carried out as follows,

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
<b>Discount Rate</b>				
Effect on DBO due to decrease in the discount rate by 1%	483,503	442,308	352,579	362,683
Effect on DBO due to increase in the discount rate by 1%	(461,155)	(420,262)	(335,428)	(343,740)
<b>Salary Escalation</b>				
Effect on DBO due to decrease in salary escalation rate by 1%	(560,823)	(502,454)	(404,431)	(405,991)
Effect on DBO due to increase in salary escalation rate by 1%	578,055	520,257	417,880	421,415

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

#### 30.4 Maturity analysis of the payments

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Less than or equal 1 year	8,193,222	4,354,203	5,325,088	2,724,725
Over 1 year and less than or equal 2 years	4,850,130	4,727,789	3,196,875	3,576,382
Over 2 years and less than or equal 5 years	6,314,912	5,674,557	4,252,491	4,472,895
Over 5 years and less than or equal 10 years	2,961,621	2,676,548	2,446,256	2,345,319
Over 10 years	117,603	197,015	110,334	190,301
Total expected payments	22,437,488	17,630,112	15,331,044	13,309,622

- 30.5 The Group weighted average duration of the defined benefit plan obligation at the end of the reporting period is 2.2 years (2019 - 2.9 years).

## Notes to the Financial Statements

Year ended 31 March

### 31 DEFERRED TAX LIABILITIES

#### 31.1 Net deferred tax liabilities

	Group		Company	
	2020	2019	2020	2019
At the beginning of the year	188,964,070	193,110,122	68,487,171	72,461,949
Amount origination/ (reversal) of temporary differences				
- Recognised in profit or loss				
Accelerated depreciation for tax purposes	8,103,041	1,068,998	8,103,041	1,068,998
Retirement benefit obligation	(46,966)	(344,074)	(200,969)	(146,414)
Carried forward business losses	(10,145,905)	(4,767,572)	(10,145,905)	(4,767,572)
- Recognised in other comprehensive income				
Actuarial gains and losses on defined benefit plans	(247,841)	(103,404)	(82,030)	(129,790)
<b>At the end of the year</b>	<b>186,626,399</b>	<b>188,964,070</b>	<b>66,161,308</b>	<b>68,487,171</b>

**31.2** Net deferred tax asset/liability on each temporary difference which were recognized in the financial statements are disclosed below.

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
<b>Deferred tax liability</b>				
Capital allowances for tax purpose	50,755,750	42,274,484	50,377,525	42,274,484
Deferred tax effect on revaluation of land and buildings	153,925,374	153,925,374	32,843,606	32,843,606
<b>Deferred tax assets</b>				
Carried forward business losses	(14,913,477)	(4,767,572)	(14,913,477)	(4,767,572)
Retirement benefit obligation	(3,141,248)	(2,468,216)	(2,146,346)	(1,863,347)
	<b>186,626,399</b>	<b>188,964,070</b>	<b>66,161,308</b>	<b>68,487,171</b>

**TRADE AND OTHER PAYABLES**

	Group		Company	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Trade payables - Others	37,118,574	30,807,909	1,865,182	7,177,349
- Related Parties (Note 32.1)	4,487,931	6,217,489	606,709	1,745,781
Other Payables - Others	51,862,569	51,895,127	-	-
- Related parties (Note 32.2)	121,424,905	456,556,046	190,040,375	432,171,498
Notes payable	104,588,164	123,387,568	38,563,554	57,198,377
Sundry creditors including accrued expenses	94,603,218	144,870,700	50,688,893	61,543,396
	414,085,361	813,734,839	281,764,713	559,836,401
<b>Non-current other payables - related parties</b>	<b>105,922,516</b>	<b>386,232,918</b>	<b>172,917,468</b>	<b>361,158,722</b>
<b>Current trade and other payables</b>	<b>308,162,845</b>	<b>427,501,921</b>	<b>108,847,245</b>	<b>198,677,679</b>

For terms and conditions with related parties, refer to Note 37.1.

For explanations on the Group's liquidity risk management processes, refer to Note 38.

**32.1 Trade payable - Related parties**

	Group		Company	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
George Steuart Laboratories (Pvt) Ltd	1,417,194	1,824,685	198,130	1,199,450
George Steuart Teas (Pvt) Ltd	37,821	67,427	-	-
Citrus Vacations Limited	-	273,200	-	-
Divasa Equity (Pvt) Ltd	460,239	545,163	-	-
Triad (Pvt) Ltd	604,646	878,580	26,393	-
Printage (Pvt) Ltd	91,996	407,458	91,996	407,458
Adpack Productions (Pvt) Ltd	879,618	1,092,943	-	24,633
Emagewise (Pvt) Ltd	885,442	1,128,033	290,190	114,240
George Steuart Solutions (Pvt) Ltd	110,975	-	-	-
	4,487,931	6,217,489	606,709	1,745,781

## Notes to the Financial Statements

Year ended 31 March

### 32.2 Other payables to related parties - Group

	Relationship	2020			2019		
		Total Rs.	Non current Rs.	Current Rs.	Total Rs.	Non current Rs.	Current Rs.
George Stuart & Company Ltd	Ultimate Parent	-	-	-	21,041,235	-	21,041,235
Citrus Leisure PLC	Parent Company	121,424,905	105,922,516	15,502,389	433,411,087	385,858,394	47,552,693
Citrus Aqua Limited	Affiliate Company	-	-	-	374,524	374,524	-
Citrus Vacations Limited	Affiliate Company	-	-	-	493,371	-	493,371
Citrus Silver Limited	Affiliate Company	-	-	-	1,235,829	-	1,235,829
		121,424,905	105,922,516	15,502,389	456,556,046	386,232,918	70,323,128

### 32.3 Other payables to related parties - Company

	Relationship	2020			2019		
		Total Rs.	Non current Rs.	Current Rs.	Total Rs.	Non current Rs.	Current Rs.
George Stuart & Company Ltd	Ultimate Parent	-	-	-	21,041,235	-	21,041,235
Citrus Leisure PLC	Parent Company	121,424,905	105,922,516	15,502,389	408,711,415	361,158,722	47,552,693
Citrus Vacations Limited	Affiliate Company	-	-	-	323,085	-	323,085
Waskaduwa Beach Resort PLC	Subsidiary Company	68,615,470	66,994,952	1,620,518	2,095,763	-	2,095,763
		190,040,375	172,917,468	17,122,907	432,171,498	361,158,722	71,012,776



### 33 LEASE LIABILITIES

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
As at 1 April 2019 - Recognition of operating lease liability under SLFRS 16	-	-	-	-
Transferred from interest bearing loans and borrowings	5,498,054	-	-	-
Interest expense	366,656	-	-	-
Payments	(3,527,458)	-	-	-
As at 31 March 2020	2,337,252	-	-	-

In the previous year, the group only recognized lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under LKAS 17 Leases (Motor Vehicles). The assets were presented in property, plant and equipment and the respective lease liabilities as part of the Group's borrowings. For adjustments recognized on adoption of SLFRS 16 on 1 April 2019, please refer to note 03(a).

#### 33.1 Total amount recognised in profit or loss

The following are the amounts recognised in profit or loss:

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Depreciation expense of right-of-use assets	6,334,725	-	-	-
Interest expense on lease liabilities	366,656	-	-	-
Expense relating to short-term leases (included in administrative expenses)	520,000	-	-	-
Expense relating to leases of low-value assets (included in administrative expenses)	1,180,000	-	-	-
<b>Total amount recognised in profit or loss</b>	<b>8,401,381</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Notes to the Financial Statements

Year ended 31 March

### 33.2 Details of lease liabilities recognised due to ROU assets

Company	Nature of the lease activities	Remaining lease period as at 31.03.2020 (No. of years)
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Waskaduwa Beach Resort PLC	Lease motor vehicle	0.7
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Notes 2.3 (s) and 3 provides the details of the above leases liabilities.

### 34 CONTRACT LIABILITIES

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Advance received for future bookings	33,646,564	31,880,746	9,182,735	7,241,085
	33,646,564	31,880,746	9,182,735	7,241,085

These amounts will be settled for revenue within next 12 months.

### 35 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to the reporting date, on 17th June 2020, the Company has divested 44,878,568 shares out of its 548,598,552 shares held in the capital of the Waskaduwa Beach Resort PLC, consequent to which the shareholding of Hikkaduwa Beach Resort PLC dropped from 97.99% to 89.97%.

Apart from above and the temporary closure of hotels due to COVID -19 outbreak as stated in note no. 2.1.1, there has been no other material events occurring after the reporting date that requires adjustment to or disclosure in the financial statements.

## **36 COMMITMENTS AND CONTINGENCIES**

### **36.1 Capital Commitments**

The Company and Group do not have significant capital commitments as at the reporting date.

### **36.2 Contingent Liabilities**

There were no contingent liabilities as at the reporting date.

## **37 RELATED PARTY DISCLOSURES**

Refer Note 2.2.1 and 2.2.2 for effective equity holding percentages and other key information's of Group entities.

### **37.1 Terms and conditions of transactions with related parties**

Outstanding balances at the year-end are unsecured and interest is charge at 12% for George Steuart & Co. Ltd, and other related party balances are charge an interest at AWPLR [six (06) months]. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2019 and 2020, the Group has not recorded any impairment of receivables relating to amounts owed by related parties.

Disclosure as per the requirement of the Colombo Stock Exchange Listing Rule Section 9.3.2 (a) and 9.3.2 (b) are on pages 49 and 50 of the Related Party Transactions Review Committee Report.

## Notes to the Financial Statements

Year ended 31 March

### 37.2 Transaction with the parent and related entities - Group

Details of significant related party disclosures are as follows :

Nature of Transaction	Ultimate parent company	
	2020 Rs.	2019 Rs.
<b>Balance as at 1 April</b>	<b>(21,041,235)</b>	<b>(91,459,390)</b>
<b>Recurrent transactions</b>		
Fund Transfer to / Settlements made	-	-
Collection made by the company on behalf of others	-	-
Collection made by the other companies on behalf of the company	-	-
Expense incurred on behalf the related parties	-	-
Expense incurred on behalf of the company	-	-
Funds received from	-	(20,000,000)
Funds received for settlement of outstanding Opening balance	-	-
Inter-company Interest Income	-	-
Inter-company Interest Expense	<b>(1,893,699)</b>	<b>(4,593,126)</b>
Management Fee	-	-
Interest and other settlements made	<b>22,840,249</b>	-
Mortgage Fee Income	-	-
WHT Deduction on Interest Income	-	-
WHT Deduction on Interest Expense	<b>94,685</b>	229,655
Trading nature transactions (Sales)	-	-
Settlements for trading nature Transactions (sales receipts)	-	-
Purchase of Goods/ Services	-	-
Settlements made for trading nature Transactions (payments)	-	-
<b>Non-recurrent transactions</b>		
Transfer of Assets	-	-
Inter-company Interest Expense on Right Issue Balance	-	-
Funds received on group debt restructure and right issue	-	-
Funds transferred on group debt restructure and right issue	-	94,781,626
Shares issued through right issue	-	-
<b>Total</b>	<b>-</b>	<b>(21,041,235)</b>
<b>Included under</b>		
Trade and other receivables - current (Note 21)	-	-
Trade and other receivables - non current (Note 21)	-	-
Trade and other payables - current (Note 32)	-	(21,041,235)
Trade and other payables - non current (Note 32)	-	-
	<b>-</b>	<b>(21,041,235)</b>

\*Affiliate companies represents entities controlled by directors. Affiliate companies includes: Citrus Vacations Limited, Citrus Aqua Limited, Citrus Silver Limited, Triad (Pvt) Ltd, Divasa Equity (Pvt) Ltd, George Steuart Teas (Pvt) Ltd, George Steuart Health (Pvt) Ltd, George Steuart Travels Ltd, Power House Limited, Sarva Integrated (Pvt) Limited, George Steuart Solutions (Pvt) Ltd, George Steuart Laboratories (Pvt) Ltd, Emagewise (Pvt) Ltd, Adpack Production (Pvt) Ltd, Printage (Pvt) Ltd, Liberty Publishers (Pvt) Ltd.

Parent company		Affiliate companies*		Total	
2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
(431,260,147)	(89,590,385)	13,811,394	(29,855,974)	(438,489,987)	(210,905,749)
-	60,310,000	40,605,267	121,591,397	40,605,267	181,901,397
(7,454,249)	-	-	-	(7,454,249)	-
75,000	958,219	37,000	-	112,000	958,219
47,472	1,904,953	2,305,222	906,196	2,352,694	2,811,149
(21,640,207)	(19,221,253)	-	(21,976,238)	(21,640,207)	(41,197,490)
(101,214,030)	(147,500,000)	(58,943,176)	(151,699,250)	(160,157,205)	(319,199,250)
-	(91,600,000)	-	-	-	(91,600,000)
24,966	7,265,370	982,260	10,842,987	1,007,226	18,108,357
(12,452,776)	(19,970,545)	(39,950)	(12,215,737)	(14,386,426)	(36,779,408)
(44,190,229)	(72,039,877)	-	-	(44,190,229)	(72,039,877)
186,823,484	52,795,574	208,425	112,034,863	209,872,158	164,830,437
-	-	1,704,658	1,700,000	1,704,658	1,700,000
(2,389)	(364,291)	(51,390)	(371,676)	(53,779)	(735,967)
692,624	1,688,901	1,242	476,753	788,551	2,395,309
-	-	6,161,274	8,484,219	6,161,274	8,484,219
-	-	(6,196,097)	(6,863,530)	(6,196,097)	(6,863,530)
-	-	(18,893,469)	(20,111,163)	(18,893,469)	(20,111,163)
-	-	19,163,517	-	19,163,517	-
-	-	-	36,928	-	36,928
(3,120,752)	(13,819,167)	-	-	(3,120,752)	(13,819,167)
-	(563,694,494)	-	(164,685,528)	-	(728,380,022)
-	461,616,848	-	165,517,147	-	721,915,621
312,246,328	-	-	-	312,246,328	-
(121,424,905)	(431,260,147)	856,177	13,811,394	(120,568,728)	(438,489,987)
-	2,150,940	5,344,109	11,686,186	5,344,109	13,837,127
-	-	-	10,446,421	-	10,446,421
(15,502,389)	(47,552,693)	(4,487,932)	(7,946,689)	(19,990,321)	(76,540,617)
(105,922,516)	(385,858,394)	-	(374,524)	(105,922,516)	(386,232,918)
(121,424,905)	(431,260,147)	856,177	13,811,394	(120,568,728)	(438,489,987)

## Notes to the Financial Statements

Year ended 31 March

### 37.3 Transaction with the parent and related entities - Company

Details of significant related party disclosures are as follows:

Nature of Transaction	Ultimate parent company	
	2020 Rs.	2019 Rs.
<b>Balance as at 1 April</b>	<b>(21,041,235)</b>	<b>(91,459,390)</b>
<b>Recurrent transactions</b>		
Fund Transfer to / Settlements made	-	-
Collection made by the Company on behalf of others	-	-
Collection made by the other companies on behalf of the company	-	-
Expense incurred on behalf of other companies	-	-
Expense incurred on behalf of the company	-	-
Funds received from	-	(20,000,000)
Funds received for settlement of outstanding Opening balances	-	-
Inter-company Interest Income	-	-
Inter-company Interest Expense	(1,893,699)	(4,593,126)
Management Fee	-	-
Interest and other settlements made	22,840,249	-
Mortgage Fee Income	-	-
WHT Deduction on Interest Income	-	-
WHT Deduction on Interest Expense	94,685	229,655
Trading nature transactions (Sales)	-	-
Settlements for trading nature Transactions (sales receipts)	-	-
Settlements made for trading nature Transactions (payments)	-	-
Purchase of goods/ services	-	-
<b>Non-recurrent transactions</b>		
Fund Transfers	-	-
Inter-company Interest Income on pending share acquisition balances	-	-
Inter-company Interest Expense on Right Issue Balance	-	-
Funds received on Group Debt Restructure and right issue	-	-
Funds transferred on Group Debt Restructure and right issue	-	94,781,626
Shares issued through right issue	-	-
Share acquisition of Waskaduwa Beach Resort PLC on right issue	-	-
<b>Total</b>	<b>-</b>	<b>(21,041,235)</b>
<b>Included under</b>		
Trade and other receivables - current (Note 21)	-	-
Trade and other receivables - non current (Note 21)	-	-
Trade and other payables - current (Note 32)	-	(21,041,235)
Trade and other payables - non current (Note 32)	-	-
	<b>-</b>	<b>(21,041,235)</b>

\*Affiliate companies represents entities controlled by directors. Affiliate companies includes: Citrus Silver Limited, Citrus Vacations Limited, Citrus Aqua Limited, Triad (Pvt) Ltd, Divasa Equity (Pvt) Ltd, George Steuart & Company Limited, George Steuart Teas (Pvt) Ltd, George Steuart Health (Pvt) Ltd, George Steuart Travels Ltd, Power House Limited, Emagewise (Pvt) Ltd, Adpack Productions (Pvt) Ltd, George Steuart Solutions (Pvt) Ltd, George Steuart Laboratories (Pvt) Ltd, Printage (Pvt) Ltd, Liberty Publishers (Pvt) Ltd.

Parent company		Subsidiary Company		Affiliate companies*		Total	
2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
(408,711,415)	113,259,458	856,438,762	438,571,959	3,492,246	(38,836,507)	430,178,359	421,535,521
-	38,410,000	92,150,000	83,840,300	23,700,000	60,862,147	115,850,000	183,112,447
-	-	(2,011,426)	(2,301,946)	-	-	(2,011,426)	(2,301,946)
75,000	350,662	310,870	108,603	37,000	-	422,870	459,265
42,038	696,245	1,046,520	1,642,366	8,926	54,154	1,097,484	2,392,765
(9,218,732)	(8,587,885)	(839,990)	(2,409,948)	-	(7,030,205)	(10,058,722)	(18,028,038)
(82,314,030)	(32,000,000)	(162,243,715)	(88,200,587)	(30,759,007)	(105,300,000)	(275,316,751)	(245,500,587)
-	(91,600,000)	-	(34,900,000)	-	-	-	(126,500,000)
-	7,265,370	-	32,527,925	468,132	5,716,856	468,132	45,510,151
(11,758,293)	(2,051,743)	(2,700,487)	-	-	(8,729,756)	(16,352,480)	(15,374,625)
(14,915,217)	(22,035,726)	-	-	-	-	(14,915,217)	(22,035,726)
95,596,995	6,445,482	-	-	-	66,414,194	118,437,245	72,859,676
-	-	501,370	500,000	1,704,658	1,700,000	2,206,027	2,200,000
-	(364,291)	(430,119)	(3,041,771)	(24,868)	(285,858)	(454,987)	(3,691,920)
653,174	793,546	59,010	-	-	436,489	806,868	1,459,690
-	-	-	-	1,834,605	1,636,851	1,834,605	1,636,851
-	-	-	-	(1,480,639)	(1,913,128)	(1,480,639)	(1,913,128)
-	-	-	-	5,254,165	-	5,254,165	-
-	-	(66,500)	-	(4,128,653)	(3,808,196)	(4,195,153)	(3,808,196)
-	-	-	113,950,000	-	-	-	113,950,000
-	-	8,584,636	38,035,327	-	-	8,584,636	38,035,327
(3,120,752)	(13,819,167)	-	-	-	-	(3,120,752)	(13,819,167)
-	(563,694,494)	-	(70,155,994)	-	(88,065,134)	-	(721,915,622)
-	158,221,128	-	348,272,528	-	120,640,340	-	721,915,622
312,246,328	-	-	-	-	-	312,246,328	-
-	-	(859,414,402)	-	-	-	(859,414,402)	-
(121,424,905)	(408,711,415)	(68,615,470)	856,438,762	106,564	3,492,246	(189,933,811)	430,178,359
-	-	-	-	713,272	934,713	713,272	934,713
-	-	-	858,534,525	-	4,626,399	-	863,160,924
(15,502,389)	(47,552,693)	(1,620,518)	(2,095,763)	(606,708)	(2,068,866)	(17,729,615)	(72,758,556)
(105,922,516)	(361,158,722)	(66,994,952)	-	-	-	(172,917,468)	(361,158,722)
(121,424,905)	(408,711,415)	(68,615,470)	856,438,762	106,564	3,492,246	(189,933,811)	430,178,359

## Notes to the Financial Statements

Year ended 31 March

### 37.4 Transactions with Key Management Personnel of the Company and its Parent

The key management personal (KMP's) includes the Board of Directors of the Company.

#### *(i) Compensation to Key Management Personnel*

No Directors emoluments (Key Management benefits) were incurred for the year ended 31 March 2020 (2019 - Nil).

#### *(ii) Other transactions with Key Management Personnel*

There are no other transactions between the Company and Key Management Personal for the year ended 31 March 2020 (2019 - Nil)

## 38 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### 38.1 Overview

The Group has exposure to the following risks from its use of financial instruments

- Market risk
- Liquidity risk
- Credit risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital.

### 38.2 Risk management framework

The Board of Directors have overall responsibility for the establishment and oversight of the Group's risk management framework. The Audit committee in managing all risks affecting the Group. The Group audit committee is assisted in its oversight role by Group's internal audit. Internal audit undertakes both regular reviews of risk management controls and procedures the results of which is reported to the audit committee. The Group finance Department of the Holding Company also implement and carries out specific risk management policies laid down and approved by the management. The Group finance division in close co-corperation with the Group's operating units identifies, evaluates and formulates principles for risk management covering specific areas such as foreign exchange risk and interest rate risk.



The Board of directors reviews and agrees policies for managing each of these risks which are summarized below.

### 38.3 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. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include bank overdrafts, debt and equity investments and investments designated under fair value through profit or loss.

The sensitivity analyses in the following sections relate to the position as at 31 March 2020 and 2019.

#### 38.3.1 Interest rate risk

Interest rate risk is the risk of fluctuation of the value or cash flows of an instrument due to changes in the market interest rates.

The Group has borrowings with variable interest rates such as AWPLR would expose the Group to cashflow/ profits as the amount of interest paid would be changed depending on market interest rates.

The Group's exposure to interest rate risk as at the reporting dates and sensitivity analysis to profit & loss if interest rate increased /decrease by 50 basis points for loans and borrowings affected, with all other variables held constant.

	Increase/ decrease in basis points	Effect on profit before tax Rs.
2020	+50	(8,273,846)
	-50	8,273,846
2019	+50	(10,832,400)
	-50	10,832,400

## Notes to the Financial Statements

Year ended 31 March

### 38 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

#### 38.3.2 Foreign exchange risk

The Group being involved in hoteliering operates and is exposed to foreign exchange risk arising from various currency exposures primarily with respect of the US dollar and Euro. Certain room contracts are entered into in foreign currencies and invoiced in Rs. using the conversion rates established by the industry.

The Group's exposure to foreign currency risk as at 31st March 2020 and sensitivity analysis to profit & loss and equity if exchange rate increased / (decrease) by 5%.

As at 31 March 2020	Change in rate		Effect on profit before tax	
			Rs.	Rs.
USD	+ 5%	- 5%	1,042,358	(1,042,358)
EURO	+ 5%	- 5%	1,004,855	(1,004,855)

As at 31 March 2019	Change in rate		Effect on profit before tax	
			Rs.	Rs.
USD	+ 5%	- 5%	2,236,166	(2,236,166)
EURO	+ 5%	- 5%	2,865,484	(2,865,484)

#### 38.4 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as so far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and difficult conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The group continuously prepare and monitors rolling cash flow forecasts and access the liquidity requirements of each operating unit to ensure it has sufficient cash to meet operational needs. Regular reviews are also carried out to check actual performance against budgeted targets. At the reporting date, the group held term deposits that are expected to readily generate cash inflows for managing liquidity risk of liabilities as at the reporting date.

The table below summarizes exposure to liquidity risk and the maturity profile of the Group's financial liabilities based on contractual discounted payments:

Year ended 31 March 2020	Carrying Amount Rs.	Current Rs.	Non-current Rs.	Payable on demand Rs.
<b>Financial liabilities</b>				
Lease liabilities	2,337,252	2,337,252	-	-
Trade and other payables	308,162,845	308,162,845	-	-
Interest bearing loans and borrowings	2,873,878,622	-	2,474,423,188	399,455,434
	<b>3,184,378,719</b>	<b>310,500,097</b>	<b>2,474,423,188</b>	<b>399,455,434</b>

Year ended 31 March 2019	Carrying Amount Rs.	Current Rs.	Non-current Rs.	Payable on demand Rs.
<b>Financial liabilities</b>				
Trade and other payables	813,734,839	427,501,921	386,232,918	-
Interest bearing loans and borrowings	2,600,996,339	186,141,645	1,985,836,409	429,018,285
	<b>3,414,731,178</b>	<b>613,643,566</b>	<b>2,372,069,327</b>	<b>429,018,285</b>

### 38.5 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions.

Carrying amount of financial assets represents the maximum credit exposure of those assets. The Group's maximum exposure to credit risk at the reporting date were as follows;

	2020 Rs.	2019 Rs.
Trade and other receivables	100,657,404	162,898,761
Investments in bank deposits	20,811,330	19,219,192
Cash at bank	2,908,501	4,938,566
	<b>124,377,232</b>	<b>187,056,519</b>

## Notes to the Financial Statements

Year ended 31 March

### 38.5 Credit risk (Contd.)

#### Trade and other receivables

The maximum exposure to the credit risk of the trade and other receivables in the statement of financial position as at 31 March 2020 and 2019 is the carrying amounts as disclosed in Note 21.

The maximum exposure to credit risk for trade and other receivables at the reporting date by the type of counter parties are as follows.

	2020 Rs.	2019 Rs.
Individual debtors	2,120,590	2,090,607
Corporate debtors	92,112,991	156,230,188
	<b>94,233,581</b>	<b>158,320,795</b>

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. For these receivables the estimated impairment losses (if any) are recognized in a separate provision for impairment. Details of trade receivables aging and provision is provided in Note 21.1 to the financial statements.

#### Cash and cash equivalents

The Group held cash in hand and at bank equivalents of Rs. 28.4 mn at 31 March 2020 (2019 - Rs. 29.7 mn) which represents its maximum credit exposure on these assets.

Respective credit ratings of banks which group cash balances held are as follows;

Sampath Bank PLC – A+ (lka)

Commercial Bank of Ceylon PLC – AA(lka)

Hatton National Bank PLC– AA-(lka)

People's Bank – AA+(lka)

Pan Asia Banking Corporation PLC Bank– BBB-(lka)

National Development Bank PLC - A+(lka)

Bank of Ceylon - AA+ (lka)

Nations Trust Bank PLC - A(lka)

Union Bank of Colombo PLC - BB(lka)

### 39 CAPITAL MANAGEMENT

The Groups objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of the capital.

The capital of the company consist of the following:

#### Equity capital

- Ordinary share capital

#### Debt

- Long term bank borrowings
- Long term related party borrowings

The group monitors capital on the basis of the debt equity ratio. This ratio is calculated based on the long term interest bearing debt and divided by total equity capital.

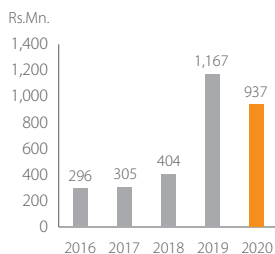
1. Maintain sufficient capital to meet minimum regulatory requirements. (Companies Act).
2. Group's future developments, investments and business strategies.

The Gearing ratio of the Group is 55% (2019 - 51%) and the Company is 22% (2019 - 20%). The Group manages its capital structure, and makes adjustments to it, in the light of changes in economic conditions, and continues looking for ways of improving its capital structure in order to support the Group's Business strategies.

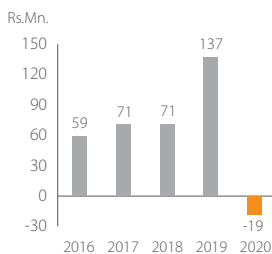
## Five Year Summary

	2020 Rs. 000	2019 Rs. 000	2018 Rs. 000	2017 Rs. 000	2016 Rs. 000
<b>TRADING RESULTS</b>					
Revenue	936,509	1,166,739	403,867	304,804	295,689
Operating profit /(loss)	(19,392)	136,618	70,676	70,667	58,555
Profit/(loss) before tax	(311,684)	(205,010)	(130,237)	101,185	68,732
Tax (expense)/reversal	1,079	(3,662)	(65,304)	(22,795)	(10,371)
Profit/(loss) after tax	(310,605)	(208,673)	(195,540)	78,390	58,362
Profit/(loss) attributable to owners of the parent	(305,528)	(196,791)	(194,143)	78,390	58,362
Non-controlling interest	(5,078)	(11,882)	(1,397)	-	-
<b>Funds employed</b>					
Stated capital	4,624,024	4,311,571	4,311,571	778,568	778,568
Capital reserves	852,998	856,753	849,934	124,179	124,179
Revenue reserves	(1,144,062)	(888,639)	(691,205)	353,394	279,655
Equity attributable to owners of the company	4,665,095	4,611,820	4,802,435	1,256,141	1,182,401
Non-controlling interests	28,019	85,127	97,000	-	-
Borrowings	2,580,346	2,372,069	1,620,029	291,080	349,396
<b>Assets Employed</b>					
Non-current assets	8,045,696	7,889,292	8,498,503	1,652,494	1,565,402
Current assets	180,429	460,861	512,848	204,847	195,096
Current liability of borrowings	399,455	615,160	1,584,242	190,391	163,541
Capital employed	7,273,460	7,069,016	6,519,464	1,547,221	1,531,798
<b>Cashflow</b>					
Net cash inflow/(outflow) from operating activities	41,316	(289,138)	73,482	83,272	69,847
Net cash inflow/(outflow) from investing activities	(81,814)	209,399	(1,192,994)	(47,475)	(419,695)
Net cash inflow/(outflow) from financing activities	68,770	887,810	(8,572)	79,617	431,411
Increase /(decrease) in cash and cash equivalents	28,273	808,071	(1,128,084)	(43,820)	81,563
<b>Key Indicators</b>					
Earnings/(loss) per Share - Basic (Rs.)	(1.11)	(0.96)	(2.57)	1.36	1.01
Dividend per share (Rs.)	-	-	0.09	0.10	0.12
Dividend payout ratio (%)	-	-	(0.03)	0.07	0.12
Net assets value per share (Rs.)	16.37	22.52	23.45	21.82	20.54
Market price per share (Rs.)	3.20	3.70	7.20	13.20	13.30
Return on capital employed (%)	-0.27	1.93	1.08	4.57	3.82
Current ratio (times)	0.24	0.43	0.22	0.69	0.91
Debt to equity ratio (times)	0.55	0.51	0.33	0.23	0.30

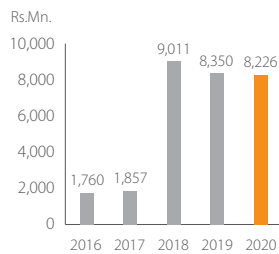
### Revenue



### Operating Profit/(loss)



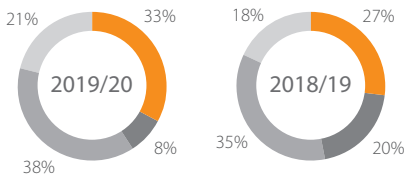
### Total Assets



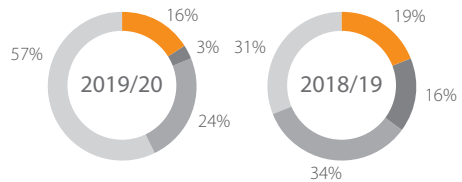
## Statement of Value Added

	Group				Company			
	2019/20		2018/19		2019/20		2018/19	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%
Turnover	1,101,526,259		1,533,098,533		366,131,267		493,643,563	
Other income	77,877,162		102,917,072		76,654,817		158,998,023	
	1,179,403,421		1,636,015,605		442,786,084		652,641,586	
Less: Cost of material & services bought in	(547,195,309)		(601,816,379)		(161,515,246)		(196,123,401)	
	632,208,112		1,034,199,226		281,270,838		456,518,185	
<b>Value allocated to employees</b>								
Salaries & wages and other benefits	313,074,806	33	328,916,036	27	116,539,949	16	112,364,791	19
<b>To Government</b>								
VAT & NBT & other taxes	71,779,152	8	252,600,786	20	22,196,591	3	89,564,471	16
<b>To providers of capital</b>								
Loan Interest & Dividend	359,328,283	38	433,533,214	35	168,843,799	24	195,721,141	34
<b>To expansion &amp; growth</b>								
Impairment, depreciation & Retained in business	200,721,067	21	227,821,794	18	401,575,987	57	180,796,361	31
	944,903,308	100	1,242,871,830	100	709,156,326	100	578,446,764	100

Group



Company



Salaries & Wages and other benefits  
To Government

To Providers of Capital  
To expansion & growth

# Share Information

## ORDINARY SHAREHOLDERS

There were 2,145 registered shareholders as at 31 March 2020, distributed as follows.

### Shareholders Categorized Summary Report - As at 31st March 2020

From	To	No. of Shareholders	No. of Shares	%
1	1,000	1,284	343,039	0.12
1,001	10,000	570	2,066,518	0.73
10,001	100,000	237	7,748,422	2.72
100,001	1,000,000	46	11,551,528	4.05
Over 1,000,000		8	263,188,847	92.38
<b>Total</b>		<b>2,145</b>	<b>284,898,354</b>	<b>100</b>

### Categories of Shareholders

Category	No. of Holders	No. of Shares	%
Local Individuals	2,005	37,754,098	13.25
Local Institutions	124	247,031,983	86.71
Foreign Individuals	15	82,273	0.03
Foreign Institutions	1	30,000	0.01
<b>Total</b>	<b>2,145</b>	<b>284,898,354</b>	<b>100</b>

The percentage of the shares held by public as at 31 March 2020 was 15.661% (As at 31 March 2019 was 21.763%) Compressing 2,136 shareholders (As at 31 March 2019 was 1,979 shareholders).

The Float Adjusted Market Capitalisation of the Company as at 31 March 2020 was Rs. 142,776,403.20 and the Company complies with the minimum public holding requirement under Option 5 of the Listing Rules 7.13.1 (a).

Market price per share	As at 31.03.2020 Rs.	As at 31.03.2019 Rs.
Highest during the year	8.70 (19-11-2019)	7.90 (19-04-2018)
Lowest during the year	2.60 (28-05-2019)	3.20 (13-03-2019)
As at end of the year	3.20	3.70



**20 MAJOR SHAREHOLDERS OF THE COMPANY**

Name	No. of Shares As At 31.03.2020	(%)	No. of Shares As At 31.03.2019	(%)
1 Citrus Leisure PLC	236,058,408	82.86	155,995,247	76.18
2 Mr K D D Perera	13,108,748	4.60	13,108,748	6.40
3 Mrs K M Goonewardene	3,647,054	1.28	3,647,054	1.78
4 Mr T G Thoradeniya	3,192,570	1.12	3,192,570	1.56
5 Hatton National Bank PLC / Capital Trust Holdings Limited	2,473,067	0.87	2,958,475	1.44
6 Mr C Yatawara	1,630,191	0.57	1,628,702	0.80
7 Sampath Bank PLC / Capital Trust Holdings Ltd	1,620,476	0.57	2,700,000	1.32
8 Mr G R W De Soysa	1,458,333	0.51	1,458,333	0.71
9 Seylan Bank PLC / Tharana Gangul Thoradeniya	987,586	0.35	-	-
10 Mr R E Rambukwella	672,177	0.24	468,480	0.23
11 Royal Ceramics Lanka PLC	583,393	0.20	583,393	0.28
12 Dr M A M S Cooray	557,812	0.20	146,092	0.07
13 Ms M R H Galappatti	534,357	0.19	534,357	0.26
14 Bansei Securities Capital (Pvt) Ltd / A Nissanka	500,000	0.18	-	-
15 Admiral W K J Karannagoda	416,666	0.15	416,666	0.20
16 Merchant Bank of Sri Lanka & Finance PLC / S Gobinath	382,543	0.13	-	-
17 Mr E P A Cooray	333,334	0.12	333,334	0.16
18 Mr H T C D Talgasduwa	332,300	0.12	104,804	0.05
19 Dialog Finance PLC / B R Fernando	301,080	0.11	189,108	0.09
20 Bansei Securities Capital (Pvt) Ltd / L N D Silva	250,000	0.09	-	-
	269,040,095	94.43	187,465,363	91.54
Others	15,858,259	5.57	17,316,991	8.46
<b>Total</b>	<b>284,898,354</b>	<b>100.00</b>	<b>204,782,354</b>	<b>100.00</b>

## Share Information

### Directors' and CEOs' Shareholding

	No of Shares As At 31.03.2020	(%)	No of Shares As At 31.03.2019	(%)
Mr. E P A Cooray	333,334	0.117	333,334	0.163
Mr. D S Jayaweera	Nil	-	Nil	-
Mr. R Senevirathne	212,749	0.075	212,749	0.104
Mr. P V S Premawardhana	Nil	-	Nil	-
Mr. S A Amarasekara	Nil	-	Nil	-
<b>Chief Executive Officer</b>				
Mr. P C B Talwatte	5,000	0.002	5,000	0.002

## Notes

## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Ninth Annual General Meeting of Hikkaduwa Beach Resort PLC will be held at Sri Lanka Foundation Institute, Lecture Hall No 03, No 100 Sri Lanka Padanama Mawatha, Independent Square, Colombo 07 on 06th January 2021 at 10.15 a.m. for the following purposes.

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Financial Statements for the year ended 31st March 2020 and the Report of the Auditors thereon.
2. To pass the ordinary resolution set out below to re-appoint Mr. E P A Cooray who is 73 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. E P A Cooray who is 73 years of age and that he be and is hereby re-appointed a Director of the Company."

3. To re-elect as a Director Mr. P V S Premawardhana who retires by rotation in terms of Article 88 of the Articles of Association of the Company.
4. To re-appoint M/s Ernst & Young Chartered Accountants as Auditors of the Company and to authorize the Directors to determine their remuneration.
5. To authorize the Directors to determine donations for the year ending 31st March 2021 and up to the date of the next Annual General Meeting.

By order of the Board

**Hikkaduwa Beach Resort PLC**



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

8th December 2020

Colombo

### Notes

1. A Shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on behalf of him/her.
2. A proxy need not be a Shareholder of the Company.
3. The Form of Proxy is enclosed for this purpose.
4. The completed Form of Proxy must be deposited at the Registered Office of the Company, No, 7/5, Gregory's Road, Colombo 7 by 10.15 p.m. on 4th January 2021.

# Form of Proxy

\*I/We.....  
holder of NIC No .....  
of ..... being a shareholder  
/shareholders of Hikkaduwa Beach Resort PLC hereby appoint .....  
holder of NIC No ..... of ..... or failing him/her.

Mr. E P A Cooray	or failing him*
Mr. D S Jayaweera	or failing him*
Mr. R Seneviratne	or failing him*
Mr. P V S Premawardhana	or failing him*
Mr. S A Amerasekera	

as my/our\* proxy to represent and speak and vote as indicated hereunder for me/us\* and on my/our\* behalf at the Ninth Annual General Meeting of the Company to be held on 06th January 2021 at 10.15 a.m. and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof.

	For	Against
1. To pass the ordinary resolution set out under item 2 of the Notice of Meeting for the re-appointment of Mr. E P A Cooray as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. P V S Premawardhana as a Director in terms of Article 88 of the Article of Association the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-appoint Messrs Ernst & Young, Chartered Accountants, as Auditors of the Company and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
4. To authorize the Directors to determine donations for the year ending 31st March 2021 and up to the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this ..... day of ..... Two thousand and .....

\*Please delete as appropriate

.....  
Signature of Shareholder

**Notes:**

1. A proxy need not be a shareholder of the Company
2. Instructions as to completion appear overleaf.

## Form of Proxy

### INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy by filling in legibly your full name address and signing in the space provided and filling in the date of signature.
2. A shareholder entitled to attend and vote at the meeting is entitled to appoint a Proxy who need not be a shareholder, to attend and vote instead of him. Please indicate with an "X" in the boxes provided how your Proxy is to vote on each resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.
3. If you wish to appoint a person other than the Chairman or a Director of the Company as your Proxy, please insert the relevant details in the space provided (above the names of the Board of Directors) on the Proxy Form.
4. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration if such Power of Attorney has not already been registered with the Company.
5. If the appointer is a Company / Incorporated body this Form must be executed in accordance with the Articles of Association / Statute.
6. The completed Form of Proxy should be deposited at the Registered Office of the Company, No.7/5, Gregory's Road, Colombo 7 by 10.15 p.m. on 4th January 2021.

# Corporate Information

## **Name of Company**

Hikkaduwa Beach Resort PLC

## **Legal Form**

Public Quoted Company with limited liability  
Incorporated in Sri Lanka.

## **Company Registration No.**

PB 4520 PQ

## **Registered Office**

No. 7/5 Gregory's Road, Colombo 07.

Telephone : 0115 755 055

Fax : 0115 470 000

E-mail : [direct@citrusleisure.com](mailto:direct@citrusleisure.com)

Website : [www.citrusleisure.com](http://www.citrusleisure.com)

## **Board of Directors**

Mr. E P A Cooray (Chairman)

Mr. D S Jayaweera

Mr. R Seneviratne

Mr. P V S Premawardhana

Mr. S A Ameresekere

## **Chief Executive Officer**

Mr. Chandana Talwatte

## **Director Marketing**

Mr. Mani Sugathapala

## **Stock Exchange Listing**

The Shares of the Company are listed on the  
Colombo Stock Exchange.

## **Company Secretaries**

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

## **Auditors**

Ernst & Young  
Chartered Accountants  
No. 201, De Saram Place, Colombo 10.

## **Bankers**

Sampath Bank PLC  
Pan Asia Banking Corporation PLC  
Hatton National Bank PLC  
Commercial Bank of Ceylon PLC  
National Development Bank PLC  
Nations Trust Bank PLC  
Bank of Ceylon  
Peoples Bank

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[www.citrusleisure.com](http://www.citrusleisure.com)

Hikkaduwa Beach Resort PLC  
No: 7/5 Gregory's Road, Colombo 07.  
Telephone : 0115 755 055 Fax : 0115 470 000  
E-mail : [direct@citrusleisure.com](mailto:direct@citrusleisure.com)