

citrus

Waskaduwa 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 Waskaduwa 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.

Company Performance

The Company posted revenue of Rs 623 Million 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 financial statements in Note 22.

Chairman's Review

The property remained closed from March 2020 to April 2020 resulting in a dismal first quarter of 2020/2021. However, it must be noted that at the time of writing, the Company had maintained an adequate cash flow to secure a break-even performance in the second quarter of 2020, 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 eco-tourism 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

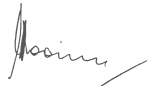
With the relaxation of the lockdowns, the industry opened its doors to welcome local tourists, who will form an important revenue source until the pandemic subsides and global tourism starts picking up. The government and health authorities have worked hand in hand with the industry to up-skill employees 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 Company 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

08th December 2020
Colombo

CEO's Review

It is with great pride that I present this review of Citrus Waskaduwa'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 Company 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. Citrus Waskaduwa recorded a significant growth in revenue and operational profitability during the third quarter. In January 2020, the many value additions at our property, 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 the Group's properties, including Citrus Waskaduwa were closed from the end of March up to the end of April as a safety precaution.

During the year under review, the Company recorded a revenue of Rs 623Mn and EBITDA of Rs 116Mn.

In May 2020, it was decided that the Citrus Group's signature property, Citrus 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 your Company has safely accommodated many guests, and continues to be a quarantine centre at the time of writing.

A Differentiated Offering

At Citrus Waskaduwa we have 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 property in Waskaduwa; 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 Company 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

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

Our gifted chefs and F&B team from all three properties of the Group— Citrus Hikkaduwa, The Steuart & Co. and Citrus Waskaduwa 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. Citrus Waskaduwa 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, Citrus Waskaduwa 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 maximise our portfolio products and revenue. Citrus Waskaduwa hopes to expand the offering at our existing hotel to accommodate more guests and facilitate more recreational spaces in the years ahead.

Acknowledgements

I am deeply grateful to the Chairman and Board for their guidance and support, and to my team at Citrus Waskaduwa for their dedication and unwavering commitment to the Company 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

08th 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 organisation 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.

Ms. Varuni Amunugama Fernando

Mrs. Varuni Fernando is the co-founder of Triad, the largest and most awarded Sri Lankan communication powerhouse extensively diversified to offer integrated communication solutions. She also serves as a Director in many companies including Powerhouse (Pvt) Ltd., the holding company of Sri Lanka's premium entertainment offering, TV Derana and FM Derana.

Her stamp on corporate Sri Lanka is accentuated by her belief that 'Sri Lanka Can', which has been the driving principle behind the Group's ventures.

Mrs. Varuni Fernando read for her LLB at the University of Colombo and is an Attorney-at-Law. She also holds a Diploma in Advertising from L'Ecole-de-Publicitaire, Paris.

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. Manoj Pilimalawwe

Mr. Manoj Pilimalawwe joined the Board of Citrus Leisure PLC in December 2010 and is on the board of several Group Companies. He is currently an Executive Director of George Steuart and Company since June 2016 having joined the Board in September 2012 in a non-executive capacity. He currently overlooks the operations of George Steuart Solutions which specialises in air conditioning, elevators and other building solutions.

He was previously at Brandix Lanka Ltd. and at PricewaterhouseCoopers Lanka Ltd. and possesses experience in areas of general management, management consultancy, IT operations and technology strategy formulation.

Board of Directors

Mr. Pilimatalawwe holds a Master's Degree in Information Technology from The Keele University in U.K. and a Bachelor of Science Honours Degree in Information Systems from Manchester Metropolitan University in U.K. and is a member of the British Computer Society (MBCS). He is also a Chartered Information Technology Professional (CITP) and counts over 20 years corporate experience.

Mr. Suresh de Mel

Mr. Suresh de Mel is the Managing Director of Lanka Fishing Flies (Pvt) Ltd., a US-Sri Lanka Joint Venture since 1981 producing Umpqua brand fishing flies. Lanka Fishing Flies which currently employs 250 workers in factories in Nugegoda, Tangalle and Ratnapura, has a reputation for being one of the best producers of high quality hand tied fishing flies in the world.

Mr. De Mel is a pioneer in promoting "catch and release" sportfishing in Sri Lanka and is the proprietor of Sportfishing Lanka. He is also the Chairman/ Managing Director of Lanka Eco Adventure Frontiers (Pvt) Ltd. – a company promoting the conservation of rainforests and wet lands through "Responsible Tourism", the Chairman of, EcoWave (Gte) Ltd. – a Social Enterprise Promoting Organic Agriculture and Responsible Eco/Agro Tourism in Ampare and Monergala Districts, the Chairman of Doonvale (Pvt) Ltd – a Planters Bungalow for Tourism in Bandarawela, the Chairman of Lanka Aqua Villas (Pvt) Ltd – a boutique villa on the Bolgoda Lake, and a Past President, Founder Member and Director of the Association of Small and Medium Enterprises in Tourism (ASMET) Sri Lanka.

He serves as, a Director on the Board of the Hambantota District Chamber of Commerce, a Council Member of the Employers Federation of Ceylon, a Board Director of The Vocational Training Authority of Sri Lanka, the Co-Chair of the Advisory Committee on Trade Information and Promotion for implementation of the National Export Strategy of Sri Lanka, and the Acting Managing Director of the Global Entrepreneurship Network in Sri Lanka.

He is also the Chairman of Navajeevana Rehabilitation Tangalle – a project "bringing new life to the disabled", a Past Chairman of the Board and a Founder Member of the Business for Peace Alliance – Sri Lanka's Regional Chambers of Commerce Network for Conflict Transformation, Reconciliation, Regional Empowerment and Corporate Social Responsibility, and a Governing Council Member of the National Peace Council of Sri Lanka.

He holds a Bachelor of Science Degree in Agricultural Engineering from Cal Poly State University, San Luis Obispo, California, USA. Before returning to Sri Lanka in 1990, Suresh worked as a Student Engineer and then as an Agricultural and Environmental Engineer for CH2M Hill Inc., USA, for 10 years.

Mr. De Mel is a social entrepreneur who actively promotes investments and initiatives that sustain "people, planet and profit".

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.

Today, Citrus Waskaduwa offers 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 2019.

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.

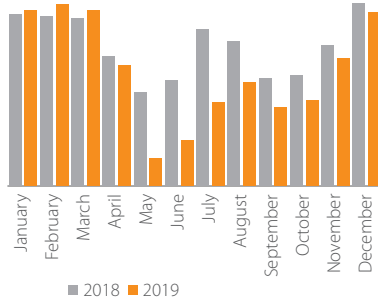
Management Discussion and Analysis

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

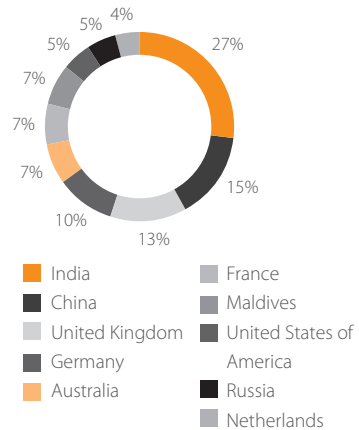
Due to the impact of the Easter Sunday tragedy, tourist arrivals decreased by 18% as against 2018 figures. The lowest tourist arrivals during 2019 were recorded in the months of May, June and July due to negative travel advisories imposed by key tourism source markets in the immediate aftermath of the 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



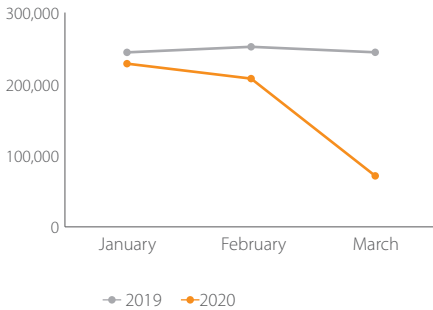
As shown below, the source markets of India, United Kingdom, China and Germany served as significant contributors to Sri Lanka's tourism industry, with India being positioned as the largest source market.

Top Ten Markets in 2019



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.

Arrivals



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,

Management Discussion and Analysis

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

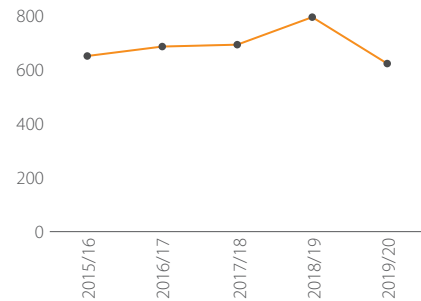
The resilience and support rendered by the authorities enabled the Sri Lankan tourism industry to remain resilient and gradually recover following the Easter Attacks in April 2019 and the COVID-19 pandemic in 2020. As the nation's industries faces numerous unprecedented economic impacts, the industry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

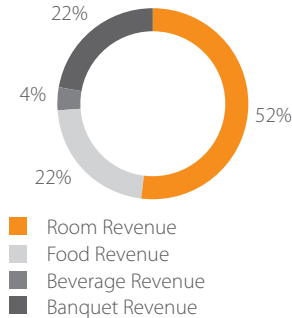
Financial Performance

Revenue

Rs. Mn.



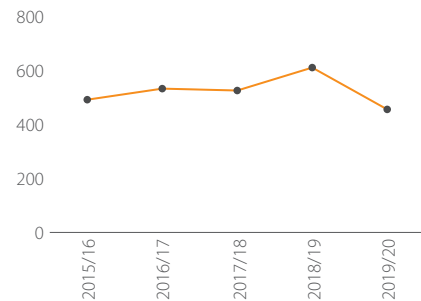
Revenue Composition



Hotel revenue dropped by 22% compared to last year due to the effect of suicide bomb attack on Easter Sunday. Further in the latter part of the financial year the hotel had to bear the impact of the Covid-19 outbreak which led to the cancellation of more than 750 room nights in the month of March. Although the occupancy dropped by 14% due to above incidents, the hotel managed to maintain its ARR with slight drop of 4% compared to last year.

Gross Profit

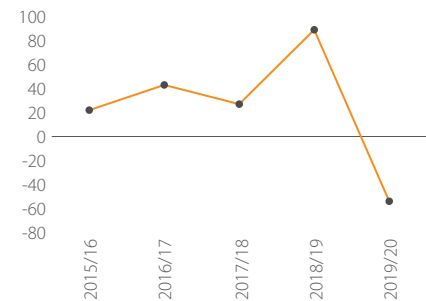
Rs. Mn.



Gross Profit of the hotel for the year under review dropped by 25% compared to previous year mainly due to drop of revenue by 22% as the company was compelled to reduce the selling rates in order to increase occupancy after the catastrophic first two months.

Operating Profit

Rs. Mn.



The negative impact on the revenue for the year directly affected the company's operating profit. Also the company was compelled to reduce the selling rates while increasing the food & beverage offers in order to maintain the occupancy.

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

The Directors of Waskaduwa 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

Waskaduwa Beach Resort PLC is a public limited Company which was incorporated under the Companies' Act No. 7 of 2007 as a Limited Company on 7th January 2011 and listed on the Colombo Stock Exchange in 2012 and the name was changed as "Public Limited Company" on 31st May 2012.

Principal Activities

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

Review of Operations

The Management Discussion and Analysis covers the operations of the company during the financial year under review on pages 9 to 13.

Financial Statements

The complete Financial Statements of the Company duly signed by two Directors on behalf of the Board are given on pages 66 to 130.

Auditors' Report

The Report of the Auditors on the Financial Statements of the Company is given on pages 62 to 65.

Accounting Policies

The accounting policies adopted by the Company in the preparation of financial statements are given on pages 70 to 93 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 and their brief profiles appear on pages 6 to 8.

Executive Directors

Mr. D S Jayaweera

Ms. V S F Amunugama

Non-Executive Directors

Mr. S A Ameresekere

Mr. J M B Pilimatalawwe

Independent Non-Executive Directors

Mr. E P A Cooray

Mr. R Seneviratne

Mr. S D de Mel

Recommendation for re-election of Director who retire by rotation

Mr. S D De Mel who retires by rotation in terms of Article 88 of the Articles of Association and being eligible for re-election as recommended by the Board of Directors.

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.

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 as at 31st March 2020 as recorded in the Interest Register are given in this report under Directors' Interest in Contracts and Directors' Shareholding.

Directors' Remuneration

The Directors' remuneration is disclosed under key management personnel compensation in Note 31.3 to the Financial Statements on page 125.

Declaration of Interests of Directors

The Company maintains an interest Register in terms of the Companies Act No. 07 of 2007 which is deemed to form part 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 is recorded in the Interest Register in compliance with the applicable law.

The Directors have declared their interests in contracts and their relevant interests in shares, at meetings of the Directors.

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 19.

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 480,243/- is payable by the Company to the Messrs Ernst & Young for the year under review comprising Rs 380,000/- as audit fee and Rs 100,243/- as taxation fee respectively.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 08th 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 31st March 2020 was Rs 2,901,702,750/- representing 559,857,096 ordinary shares (Rs.2,042,238,316/- representing 201,746,915 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:

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

	As at 31.03.2020	As at 31.03.2019
Mr. E P A Cooray	Nil	Nil
Mr. D S Jayaweera	Nil	Nil
Ms. V S F Amunugama	Nil	Nil
Mr. S A Ameresekere	Nil	Nil
Mr. J M B Pilimalawwe	Nil	Nil
Mr. R Seneviratne	Nil	Nil
Mr. S D de Mel	Nil	Nil

Major Shareholders, Distribution Schedule and other information

Information on the distribution of shareholding, analysis of shareholders, market values per share, earnings per share, dividends 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 given on pages 133 to 135.

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, 297 persons were in employment (313 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 disclosed in Statement of Changes in Equity on page 68 in the Financial Statements.

Land Holdings

The Company's Land holding referred to in Note No. 14 of the financial statements comprises of a land of approximately 8 acres (1,313.25 perches) which is located in Kudawaskaduwa, Kalutara.

Property, Plant & Equipment

Details and movements of property, plant and equipment are given under Note 14 to the Financial Statements on pages 101 to 106.

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 risk.

Risk management objectives and policies are set out in Note 33 on pages 125 to 129.

Donations

Rs.24,158/- were made by the Company as donation during the year under review.

Dividends

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

Corporate Governance

The Board of Directors confirms that the Company is compliant with the Code of Best Practices in Corporate Governance 2017 and CSE's listing rules - section 7.10.

The report on Corporate Governance is given on pages 20 to 51 of the Annual Report.

Events occurring after the Reporting Date

There were no Events after the Reporting Date which would require adjustment to or disclosure in the Financial Statements except Note 32 to the Financial Statements on page 125.

Going Concern

After making adequate enquiries from the management the directors are satisfied that the company has adequate resources to continue its operation in the foreseeable future.

Related Party Transaction

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.

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, 358,110,181 Ordinary Voting Shares were allotted on 10th May 2019, of which 358,089,334 shares were allotted to Hikkaduwa Beach Resort PLC, thereby converting the restructured debt Rs.859,414,401/- that was payable to Hikkaduwa Beach Resort PLC by the Company.

The cash subscription received of Rs.50,032.80 in respect of 20,847 shares was utilized to reduce the debt owed to Commercial Bank of Ceylon PLC on 04th June 2019.

The new 358,110,181 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 in Rs.	Proposed Date of Utilisation as per Circular	Amount Allocated from proceeds in Rs. (A)	% of Total Proceeds	Amount Utilised in Rs. (B)	% of Utilise against allocation (B/A)	Clarification if not fully utilised
(i) Settle the loan payable to Hikkaduwa Beach Resort PLC	Settle the loan payable to Hikkaduwa Beach Resort PLC	Upto not less than Rs.822,999,820.80 as entitlement and not exceeding Rs. 859,414,401.00	Immediately upon the conclusion of the Rights Issue	859,414,401	100%	859,414,401	100%	N/A
(ii) Settle the Commercial Bank PLC Permanent Overdraft Facility	Settle the Commercial Bank PLC Permanent Overdraft Facility	Not exceeding Rs.48,546,852.00 dependent on the extent of subscription received from shareholders other than CITH	Immediately upon the conclusion of the Rights Issue	50,032.80	100%	50,032.80	100%	N/A

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

Compliance with the minimum public holding requirement of the Colombo Stock Exchange

On 17th June 2020, with a view to increasing the public holding of the Company, Hikkaduwa Beach Resort PLC (the parent entity) divested 44,878,568 shares out of its 548,598,552 shares held in the capital of the Company, consequent to which the shareholding of Hikkaduwa Beach Resort PLC dropped from 97.99% to 89.97%.

Accordingly, the Public Float of the Company now stands at 10.03% and the Company has complied with the minimum public holding requirement to be maintained by an entity listed on the Diri Savi Board.

Annual General Meeting

The Annual General Meeting of the Company will be held at Sri Lanka Foundation, Lecture Hall No 03, No 100, Sri Lanka Padanama Mawatha, Independence Square, Colombo 07 on 06th January 2021 at 10.00 a.m.

The Notice of the Annual General Meeting is on page 136 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

08th 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
Waskaduwa Beach Resort PLC



P W Corporate Secretarial (Pvt) Ltd

08th 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 Waskaduwa Beach Resort PLC (CITW). At Citrus, 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, CITW'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.

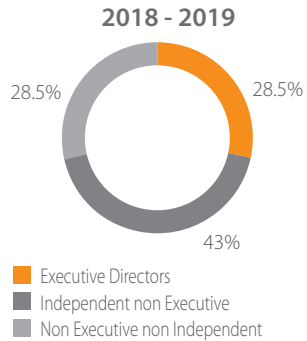
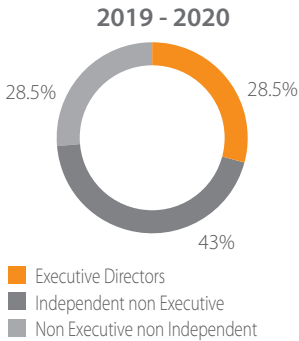
The Board provides strategic leadership and guidance and sets the tone to ensure that the development of the Company is based on values. We believe that our values are the driving force across the Company and is our guiding force for good governance.

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 the Director	Status of the Director	Shareholding
Mr. E P A Cooray	Chairman and Independent non Executive Director	No
Mr. D S Jayaweera	Executive Director	No
Mr. R Seneviratne	Independent non Executive Director	No
Ms. V S F Amunugama	Executive Director	No
Mr. J M B Pilimalawwe	Non Executive non Independent Director	No
Mr. S D De Mel	Independent non Executive Director	No
Mr. S A Ameresekere	Non Executive non Independent Director	No



Corporate Governance

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 hotel.

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	2019					2020		Meetings Attended	Percentage Attended
	29.05.2019	12.07.2019	13.08.2019	24.10.2019	14.11.2019	24.01.2020	14.02.2020		
Mr. E P A Cooray	✓	✓	-	✓	✓	✓	✓	6/7	86%
Mr. D S Jayaweera	✓	-	✓	✓	✓	-	✓	5/7	71%
Mr. R Seneviratne	✓	✓	-	✓	-	✓	✓	5/7	71%
Ms. V S F Amunugama	✓	✓	✓	✓	✓	✓	✓	7/7	100%
Mr. J M B Pilmatalawwe	✓	✓	✓	✓	✓	✓	✓	7/7	100%
Mr. S D De Mel	-	✓	✓	-	✓	✓	-	4/7	57%
Mr. S A Ameresekere	✓	✓	✓	✓	✓	✓	✓	7/7	100%

Compliance with the Code of Best Practices in Corporate Governance 2017 & 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>Waskaduwa 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"> • Two Executive Directors (ED) • Three Non-Executive Independent Directors (NED/ID) • Two Non-Executive Non Independent Director (NED/NID)

Corporate Governance

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
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> <ul style="list-style-type: none"> • Financial and operating results for each quarter. • Key Performance Indicators. • Financial Performance compared to previous periods and budgets. • Forecasts for the future period. • Statutory Compliance. • Management Audit Report and Internal Audit Scope. • Details of Related Party Transactions. • Capital Expenditure Schedules

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
Board Responsibilities	A.1.2		Compliant	<p>The Board of Directors of Waskaduwa Beach Resort PLC bears the responsibility for providing strategic direction, achieving objectives, responsible corporate behaviour, risk management, utilization 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. 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 company's ability to operate successfully, 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"> • 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. • Ensuring that the CEO and the Management Team possesses sufficient skills, competencies, experience and knowledge to implement company strategies. • Ensuring that the business practices are in compliance with the laws, regulations and Company's code of ethics. • 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.

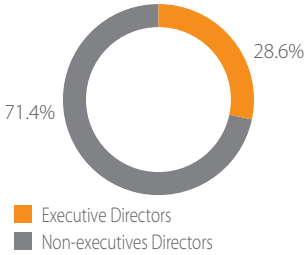
Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
				<ul style="list-style-type: none"> Reviewing, monitoring and taking corrective action with regard to the achievement of the corporate strategies. <p>Key decisions are reserved for the Board's approval and are not delegated to management. These include matters relating to the company's strategy, approval of major acquisitions, disposals, capital expenditure, financial results and overseeing the company'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>
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>

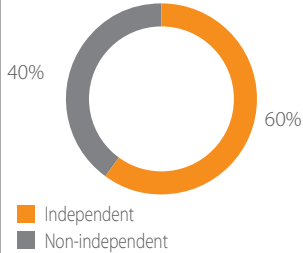
Corporate Governance

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
Company Secretary	A.1.4		Compliant	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.
Directors' Independence	A.1.5		Complaint	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.
Adequate time and effort from Directors	A.1.6		Compliant	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. The Board has delegated the authority of directing the routine operations of the Company to the Executive Directors/CEO of the Company.
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.

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
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 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

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 two Executive Directors and five non-executives out of which three are Independent Directors and two are non-independent Directors ensuring that no individual or small group can dominate the Board's decisions.</p>  <table border="1"> <caption>Board Composition</caption> <thead> <tr> <th>Category</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Executive Directors</td> <td>28.6%</td> </tr> <tr> <td>Non-executives Directors</td> <td>71.4%</td> </tr> </tbody> </table>	Category	Percentage	Executive Directors	28.6%	Non-executives Directors	71.4%
Category	Percentage									
Executive Directors	28.6%									
Non-executives Directors	71.4%									
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 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 five Non-Executive Directors out of which three are Independent and this ratio was maintained throughout the year.</p>  <p>A donut chart illustrating the composition of the Board of Directors. The chart is divided into two segments: an orange segment representing 60% Independent directors and a grey segment representing 40% Non-independent directors. A legend below the chart identifies the colors: orange for Independent and grey for 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 - 8 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>

Corporate Governance

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
Interactions between the Chairman and Non-executive Directors	A.5.9		Compliant	The Chairman holds meetings with the Non-executive Directors, without the presence of the Executive Directors as and when necessary.
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.

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
Appointments to the Board	A.7	7.10.3 (d)	Compliant	Waskaduwa 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.
				During the year, the Board critically evaluated the "quality" of the Board in terms of their qualifications, experience, independence and the value that can be added to the Company to effectively meet the demands of the Company. The Board is satisfied with its composition and the level of qualifications, knowledge and experience it possesses as a whole in order to meet strategic demands facing the Company.
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.

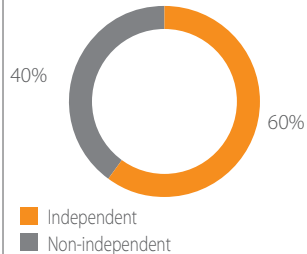
Corporate Governance

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 06th of January 2021 by the shareholders and the proposals for re-election are specified in Notice of Meeting on page 136.
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		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: <ul style="list-style-type: none"> • Strategic planning and risk management. • Effectiveness of decision making. • Succession planning.

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
				<ul style="list-style-type: none"> • Composition, skills, balance, experience and diversity. • Culture and quality of contributions. • Resources of meetings, agenda planning and quality of information and papers. • Corporate Governance, regulatory compliance and support. • Evaluation of individual performance and scope of improvement. • Committee effectiveness and communication to the Board.
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 - 8 of this Annual Report.
Appraisal of CEO	A.11		Complied	Assessing the performance of the CEO is done annually.
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.

Corporate Governance

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
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)		<p>Citrus Leisure PLC, the intermediate parent company of Waskaduwa 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.</p> <p>The Remuneration Committee of the company consists exclusively of Non-executive Directors as prescribed by the Code of Best Practice, out of which three Directors are Non-executive Independent Directors and two Non-executive Non-independent Director, namely:</p> <p>Mr. J M B. Pilmatalawwe - (NED /NID) - Chairman</p> <p>Mr. S A Ameresekere - (NED /NID)</p> <p>Mr. E P A Cooray - (NED / ID)</p> <p>Mr. R Seneviratne - (NED / ID)</p> <p>Mr. S D De Mel - (NED / ID)</p>



Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
				<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>
Executive Share Options	B.2.5		Not Applicable	This section is not applicable to the company 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 55- 56.
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 / B.2.10		Compliant	No payments has been made for any non-executive Director during the financial year.

Corporate Governance

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
Disclosure of Remuneration	B.3	7.10.5(c)	Compliant	The remuneration to Directors is disclosed on page 125 under the note 31.3 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	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. Separate resolutions shall be proposed for each substantially separate issue, including a resolution for the adoption of the report and the accounts.

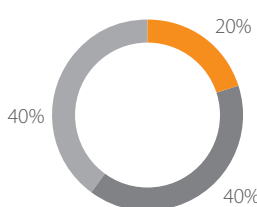
Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
Communication with Shareholders	C.2		Compliant	The Board has implemented effective communication with shareholders.
Communication with Shareholders	C.2.1 – C.2.7		Compliant	<p>P W Corporate Secretarial (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 57 to 59, and Note 31.2 of Notes to the Financial Statements.

Corporate Governance

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
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 behavior in conducting its business. The Board, through the Company's administrative and finance divisions, strives to ensure that the businesses of the Company comply with the laws and regulations of the country.</p>
The Board's responsibility on interim and other price sensitive public reports and reports to regulators	D.1.2		Compliant	<p>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.</p>
Directors' responsibility for preparation and presentation of Financial Statements	D.1.3		Compliant	<p>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 Financial Statements of the company were audited by Messrs Ernst and Young, Chartered Accountants.</p>

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
Annual Report of the Directors	D.1.4		Compliant	The Annual Report of the Board of Directors sets out the, <ul style="list-style-type: none"> a. Compliance with laws and regulations. b. Directors' Interests have been disclosed in accordance with the provisions in the Companies Act No. 07 of 2007. c. Equitable treatment to shareholders. d. Directors have complied with best practices of Corporate Governance. e. Land and Buildings of the Company are reflected at their fair value. f. Appropriateness of the Company's Internal Control system. g. The business is a going concern.
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 62 - 65 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 contains, among other issues; <ul style="list-style-type: none"> Industry Review (Pages 9 to 11) Stakeholder Relationships (Pages 11 to 12) Financial Performance (Page 13) Prospects for the future (Page 12) Risk Management (Pages 60 to 61)

Corporate Governance

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
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	<p>The Related Party Transactions Review Committee, which is a subcommittee of the Board, is responsible for review and disclosure of Related Party Transactions.</p> <p>Related Party Transactions Review Committee</p> <p>The Related Party Transactions Review Committee consists of two non-executive Independent Directors, a executive director and two non-executive Non Independent Directors, 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>  <p> ■ Executive Directors ■ Independent non Executive ■ Non Executive non Independent </p>

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
				<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 & Exchange Commission.</p> <p>A report of the Related Party Transactions Review Committee is given on pages 57 to 59.</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. 31.2 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 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 Company is carried out by PricewaterhouseCoopers (Pvt) Ltd. (PwC). However, The Board is responsible for formulating and implementing appropriate systems of internal control for the company and in turn assessing its effectiveness. The Company'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 52 to 54 and pages 60 to 61 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>

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
Internal Audit Function & Audit Committee review of Internal Control System	D.2.3 & D.2.4		Compliant	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.
Responsibilities of the Directors in maintaining a sound system of Internal Controls	D.2.5		Compliant	The “Statement of Directors Responsibility” on page 19 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	The Audit Committee comprises exclusively of Non-executive Directors out of whom three are Independent Directors and two are Non independent Director.

Corporate Governance

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details						
				<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 data-bbox="628 659 927 914"> <table border="1"> <caption>Audit Committee Composition</caption> <thead> <tr> <th>Category</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Independent non Executive</td> <td>60%</td> </tr> <tr> <td>Non Executive non Independent</td> <td>40%</td> </tr> </tbody> </table> </div> <p>The Audit committee focuses principally in assisting the Board to fulfil its duties by providing an independent and objective view of the financial reporting process, internal controls, risk review and the audit function. 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 52 to 54.</p> <p>The Audit Committee met five (5) times during the year.</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 Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
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 52 - 54 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 favourable treatment".
Related Party Transactions Review Committee	D.4.2		Compliant	The Related Party Transactions Review Committee consists of two Non-executive Independent Directors, a Executive Director and, two Non-executive Non Independent Directors, 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)
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 57-59.
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

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
Corporate Governance Disclosure	D.6		Compliant	<p>The Corporate Governance section of the annual report from pages 20 - 51 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 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. The 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.

Corporate Governance

Corporate Governance Principal	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
Disclosure on Cybersecurity Risk Management	G.5		Compliant	Risk Management Report set in pages 60 - 61 provides a detailed explanation of cybersecurity risks faced by Waskaduwa 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
Section 168 – Contents of Annual Report			
(1) (a)	The nature of the business of the Company together with any change thereof during the accounting period	Notes to the Financial Statements	Complied
(1) (b)	Signed Financial Statements of the Company for the accounting period completed	Financial Statements	Complied
(1) (c)	Auditors' Report on the Financial Statements and any Company 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 Intermediate 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 is as follows;

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 Company's Financial Statements.
- Reviewing the Company's Financial Statements and the material financial reporting judgments contained therein.
- Monitoring the effectiveness of the Company's Internal Control and Risk Management systems.
- Reviewing and monitoring the independence of the External Auditors and the provision of additional services to the Company.
- 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 Company'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 Company's system of internal control and risk management. The Audit Committee undertook a review of the effectiveness of, and the framework for the Company'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 Company 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 Company and the External Auditors.

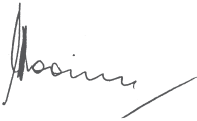
This review includes an assessment of their performance, cost effectiveness, objectivity and independence. The Audit Committee is responsible for ensuring that an appropriate relationship is maintained between the Company and the External Auditors.

The Company 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 Company in connection with tax, other services and anticipates that this will continue in 2020/21.

Audit Committee Report

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 Financial Statements on page 95.

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



Prema Cooray
Chairman
Audit Committee

08th December 2020
Colombo

Remuneration Committee Report

The Remuneration Committee of Citrus Leisure PLC, the Intermediate 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 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 oversees 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.

Remuneration Committee Report

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

08th December 2020

Colombo

Related Party Transactions Review Committee Report

The Related Party Transactions Review Committee of Citrus Leisure PLC, the Intermediate 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	√	√	√	√

Related Party Transactions Review Committee Report

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.31.2 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.

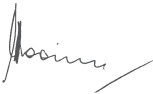
- **Non-Recurrent Related Party Transactions**

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.

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
Hikkaduwa Beach Resort PLC	Parent	Funds transferred (loans given)	162,243,715	Interest is charge at AWPLR [six (06) months]	20%



Prema Cooray

Chairman

Related Party Transactions Review Committee

08th December 2020

Colombo

Risk Management

Waskaduwa Beach Resort PLC identifies that operating a business involves both risk and reward. The Company 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 Company operates. Listed below are some of the risks and risk mitigation strategies used by Waskaduwa Beach Resort PLC:

Risk	Mitigation Strategies
<p>1. Global Pandemic Outbreak</p> <p>COVID-19 has had a material detrimental impact on our business, financial results and liquidity.</p>	<ul style="list-style-type: none"> • 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 the hotel property. • Loan moratorium in place for interest and capital repayment until March 2021 easing cash-flow constraints. • Defer non-essential capital expenditures. • The Board to monitor all possible cash flow positions and mitigating factors.
<p>2. Safety at the Hotel</p> <p>Safety of our guests and staff at our hotel is our number one priority</p>	<ul style="list-style-type: none"> • Adhere to latest protocols on hygiene and cleaning at the hotel property. • Awareness training for COVID-19 for guests and staff. • Closure of properties to minimize risk. • Comprehensive health & safety policy framework with implementation responsibility at multiple levels. • A strong safety culture at the hotel with regular fire drills, disaster recovery plans and high levels of risk awareness. • Implementation of additional security checks prior to entry to the property. • Regular debriefing of staff on security related information.
<p>3. Increasing competition</p> <p>Increased number of hotels leading to intense competition and lower margins</p>	<ul style="list-style-type: none"> • Working together with tour operators to increase occupancy. • Strengthened relationships with travel agents. • Consistently favourable reviews of our property by guests strengthening brand equity.

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

Independent Auditors' Report



Ernst & Young
Chartered Accountants
201 De Saram Place
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Sri Lanka

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eysl@lk.ey.com
ey.com

TO THE SHAREHOLDERS OF WASKADUWA BEACH RESORT PLC Report on the audit of the Financial Statements

Opinion

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

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company 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 Company 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.

Key Audit Matters	How our audit addressed the key audit matters
<p>Impairment Assessment of Cash Generating Units (CGU)</p> <p>The Company has identified its hotel property as a single CGU which represented 96% of total assets of the Company.</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"> • We obtained an understanding of the management's impairment assessment process and identified the significant assumptions and judgments used in such assessment. • We engaged specialized resources to assist us in assessing the reasonableness of the significant judgments, assumptions and estimates applied by the Company, particularly assumptions applied relating to forecasted revenue growth, margins, discount rates and terminal growth rates in the context of business plans developed by the Company as well as available market information. <p>We also assessed the adequacy of the related financial statement disclosures as set out in Notes 5 and 14.</p>
<p>Management's Assessment of COVID-19 pandemic as it relates to the Company.</p> <p>Management has assessed the impact of the COVID-19 pandemic on its business and financial statements 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 Company 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"> • We assessed the appropriateness of disclosures made in note 2.1.1. in the financial statements in the context of the Company's operations during the year. • We gained an understanding of Management's assessment of the impact of the COVID-19 pandemic on the operations of the Company and procedures adopted by the management to manage and mitigate the business interruptions. <p>We evaluated the Company's capability to meet its current operational obligations, via existing resources and access to funding.</p>

Independent Auditors' Report

Other information included in the Company'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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company's internal control.

- 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 Company'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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

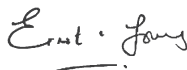
with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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.



08th December 2020

Colombo

Partners: W R H 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 Sajeevani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA
Principals: G B Goudilan 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 and Other Comprehensive Income

Year Ended 31 March	Note	2020 Rs.	2019 Rs.
Revenue from contract with customers	6	623,280,635	795,681,063
Cost of sales		(167,552,229)	(185,112,210)
Gross profit		455,728,406	610,568,853
Other income and gains	7	7,964,076	8,539,158
Administrative expenses		(289,417,403)	(304,095,788)
Operating expenses		(211,208,507)	(205,091,525)
Selling and marketing expenses		(17,886,006)	(21,305,993)
Operating profit/(loss)		(54,819,434)	88,614,705
Finance expenses	8.2	(202,270,977)	(308,875,325)
Finance income	8.1	5,052,712	6,749,418
Loss before tax	9	(252,037,699)	(213,511,202)
Tax reversal/(expense)	10	(457,166)	197,660
Loss for the year		(252,494,865)	(213,313,542)
Other comprehensive income/(loss)			
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods			
Actuarial gain / (loss) on defined benefit plan	26.1	(1,184,366)	188,475
Deferred tax effect on actuarial gain / (loss)		165,811	(26,386)
Other comprehensive income/(loss) for the year, net of tax		(1,018,555)	162,089
Total comprehensive loss for the year, net of tax		(253,513,420)	(213,151,453)
Basic/diluted loss per share	11	(0.50)	(1.06)

Figures in brackets indicate deductions.

The accounting policies and notes on pages 70 through 130 form an integral part of these financial statements.

Statement of Financial Position

Year Ended 31 March	Note	2020 Rs.	2019 Rs.
ASSETS			
Non-current assets			
Property, plant and equipment	14	4,021,818,408	4,173,193,290
Right of use assets	15	2,098,425	-
Other receivables - related parties	18	66,994,952	5,820,022
Intangible assets	16	1,471,148	683,952
		4,092,382,933	4,179,697,264
Current assets			
Inventories	17	15,680,284	16,205,380
Trade and other receivables	18	57,223,647	96,638,162
Advances and prepayments	19	12,960,648	13,338,035
Income tax receivable	20	7,758,501	9,956,909
Cash and cash equivalents	21	24,727,424	25,306,573
		118,350,504	161,445,059
Total assets		4,210,733,437	4,341,142,323
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	22	2,901,702,750	2,042,238,316
Revaluation reserve	23	743,788,003	743,788,003
Accumulated losses		(1,511,282,887)	(1,257,769,467)
Total equity		2,134,207,866	1,528,256,852
Non-current liabilities			
Interest bearing loans and borrowings	24	1,564,361,149	1,374,361,409
Other payables - related parties	27	-	883,608,721
Deferred tax liability	10.2	120,465,090	120,476,898
Retirement benefit obligation	26	7,106,443	4,320,489
		1,691,932,682	2,382,767,517
Current liabilities			
Trade and other payables	27	200,936,119	227,066,775
Interest bearing loans and borrowings	24	156,855,689	174,558,288
Lease liabilities	25	2,337,252	-
Contract liability	28	24,463,829	28,492,891
		384,592,889	430,117,954
Total equity and liabilities		4,210,733,437	4,341,142,323

These financial statements are in accordance with requirements of the Companies Act No.7 of 2007.



D C A Sandanayake

Group Finance Manager

The Board of Directors is responsible for the preparation and presentation of 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 70 through 130 form an integral part of these financial statements.

08th December 2020

Colombo

Statement of Changes in Equity

	Stated Capital Rs.	Revaluation Reserves Rs.	Accumulated Losses Rs.	Total Rs.
Balance as at 01 April 2018	2,042,238,316	743,788,003	(1,044,618,014)	1,741,408,305
Loss for the year	-	-	(213,313,542)	(213,313,542)
Other comprehensive income	-	-	162,089	162,089
Total comprehensive loss	-	-	(213,151,453)	(213,151,453)
Balance as at 31 March 2019	2,042,238,316	743,788,003	(1,257,769,467)	1,528,256,852
Share issued during the year	859,464,434	-	-	859,464,434
Loss for the year	-	-	(252,494,865)	(252,494,865)
Other comprehensive income	-	-	(1,018,555)	(1,018,555)
Total comprehensive income/(loss)	-	-	(253,513,420)	605,951,014
Balance as at 31 March 2020	2,901,702,750	743,788,003	(1,511,282,887)	2,134,207,866

The accounting policies and notes on pages 70 through 130 form an integral part of these financial statements.

Cash Flow Statement

Year Ended 31 March	Note	2020 Rs.	2019 Rs.
Cash flows from / (used in) operating activities			
Net loss before income tax expenses		(252,037,699)	(213,511,202)
Adjustments for :			
Depreciation	14.2	166,068,514	170,041,638
Amortisation of right of use assets	15	4,308,717	-
Amortisation of intangible assets	16	295,895	93,884
Provision for retirement benefit obligation	26.1	2,100,238	1,411,855
Write off of economic service charge receivables & Others		5,839,251	-
Impairment of trade receivables		311,824	1,234,227
Gain on disposal of property, plant and equipment	7	(2,997,438)	(3,092,743)
Finance income	8.1	(5,052,712)	(6,749,418)
Finance cost	8.2	202,270,977	308,875,325
Operating profit before working capital changes		121,107,567	258,303,566
Decrease in trade and other receivables		41,167,062	436,284
Decrease/(increase) in inventories		525,095	(1,136,246)
Decrease/(increase) in other non financial assets		377,387	(572,911)
Decrease in trade and other payables		(40,918,890)	(182,711,720)
Increase/(decrease) in contract liability		(4,029,062)	14,256,832
Cash generated from operations		118,229,160	88,575,805
Retirement benefit obligation paid	26	(498,650)	-
Tax payment		(2,768,795)	(5,784,483)
Finance cost paid		(10,931,011)	(199,967,732)
Net cash from/(used in) operating activities		104,030,704	(117,176,410)
Cash flows used in investing activities			
Acquisition of property, plant and equipment	14.4	(18,486,619)	(30,618,630)
Proceeds from disposal of property, plant and equipment		3,292,699	4,954,782
Acquisition of intangible asset	16	(1,083,091)	(580,345)
Financed to related party		(61,174,930)	-
Finance income received		1,813,130	1,623,287
Net cash flows used in investing activities		(75,638,811)	(24,620,906)
Cash flows from/(used in) financing activities			
Repayment of interest bearing loans and borrowings	24.1	(1,500,000)	(61,693,673)
Cash proceeds from share issue		50,033	-
Net financed from related parties		(24,194,320)	306,294,238
Principal Payment under finance lease liabilities		(3,160,802)	(2,905,271)
Net cash from/(used in) financing activities		(28,805,089)	241,695,294
Net increase / (decrease) in cash and cash equivalents		(413,195)	99,897,977
Cash and cash equivalents at the beginning of the year		(131,715,070)	(231,613,047)
Cash and cash equivalents at the end of the year (Note A)		(132,128,265)	(131,715,070)
Note A			
Analysis of cash and cash equivalents			
Cash in hand and cash at bank	21	3,916,094	6,087,381
Short term deposits with original maturity less than three months	21	20,811,330	19,219,192
Bank overdrafts	24	(156,855,689)	(157,021,643)
Total cash and cash equivalents		(132,128,265)	(131,715,070)

The accounting policies and notes on pages 70 through 130 form an integral part of these financial statements.

Notes to the Financial Statements

Year ended 31 March 2020

1. CORPORATE INFORMATION

1.1 General

Waskaduwa Beach Resort PLC (“Company”) is a Public Limited Liability Company incorporated and domiciled in Sri Lanka.

The registered office of the Company is located at No 7/5, Gregory’s Road, Colombo 07, and the principal place of business is situated at No. 427, Samantara Road, Kudawaskaduwa, Waskaduwa.

1.2 Principal Activities and Nature of Operations

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

1.3 Parent Entity and Ultimate Parent Entity

In the opinion of the Directors, the Company’s ultimate parent undertaking and controlling party is George Steuart & Company Limited, which is incorporated in Sri Lanka.

The Company’s parent undertaking is Hikkaduwa Beach Resort PLC, which is incorporated in Sri Lanka and listed in Colombo Stock Exchange (CSE).

1.4 Date of Authorisation for Issue

The Financial Statements of Waskaduwa Beach Resort PLC for the year ended 31 March 2020 were authorized for issue in accordance with the resolution of the Board of Directors on 08th December 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements which comprise the statement of profit or loss and other comprehensive income, statement of financial position, 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 financial statements have been prepared on the historical cost basis, except for the 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.

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

Comparative Information

The financial statements provide comparative information in respect of the previous year. The accounting policies have been consistently applied by the Company except for the adoption of new accounting standards and interpretations with effect from 01st April 2019, the Company 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 no. 03 to the financial statements.

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

a) Going Concern

The Company operates 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 the hotel. The Board of Directors has made an assessment of the Company'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 Company and the appropriateness of the use of the going concern basis. In March 2020, the Company 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 the company to the Board of Waskaduwa Beach Resort PLC and after due consideration of the range and likelihood of outcomes, the Directors are satisfied that the Company has 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

Notes to the Financial Statements

Year ended 31 March 2020

priority. The manner in which the local authorities are handling this crisis will no doubt resonate well with the world and the global traveler will have more confidence in our destination when our borders open.

Today, Sri Lanka along with many other countries around the world are 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 Company'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 Center, 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.

During this time, the Company 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 maneuver 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 travelers 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 Summary of significant accounting policies

a) Current versus non-current classification

The company 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 company classifies all other liabilities as non-current.

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

b) Fair value measurement

The company 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 company.

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

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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 company 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
- 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 company 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 company'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 Company. 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 Company'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 company'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 company'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 company 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 14.7
Quantitative disclosures of fair value measurement hierarchy	Note 14.7
Property, plant and equipment under revaluation model	Note 13
Financial Instruments (Including those carried at amortized cost)	Note 12

c) **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 Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company 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 Company performs under the contract.

The Company 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

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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 recognized as it accrues 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.

d) 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 company 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 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 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.

The company 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.

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.

e) Foreign currencies

The company's financial statements are presented in Sri Lanka Rupees, which is also the parent company's functional currency. The company determines the functional currency and items included in the financial statements of company are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the company 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. All differences are taken to the statement of profit or loss.

f) Cash dividend

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

g) 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 company 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

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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 Company 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	40 Years
Furniture and Fittings	6 Years
Entertainment Equipment and Security Equipment	4 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	15 Years
Gardening and Landscaping	6 Years
Crockery, Cutlery and Glassware	3 Years
Motor Vehicles	5 Years
Generator and Transformers	15 Years
Computers and Hardware	3 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.

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

h) 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.

i) Intangible assets

An Intangible asset is recognised if it is probable that future economic benefit associated with the assets will flow to the

company 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;

Assets	Years
Web Site	Over 3 Years
Computer Software	Over 3 Years

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.

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j) 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 company'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 company'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 company commits to purchase or sell the asset.

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 company 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 rate (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 company 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 company 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 company 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 Company does not have any financial instrument under this category as at the reporting date.

Financial assets at fair value through OCI (debt instruments)

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

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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 company 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 statement of financial position) when:

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

Or

- The company 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 company has transferred substantially all the risks and rewards of the asset,

or

(b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the company 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 company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the

company 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 company 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 12
Trade receivables	Note 18

The company 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.

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

Therefore, the company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The company 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 company considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the company may also consider a financial asset to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the company. 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 company financial liabilities include trade and other payables, lease liabilities and interest bearing loans and borrowings.

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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 company 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. The company 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 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.

k) 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 Engineering Stock	
Other Stock	

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.

l) Impairment of non-financial assets

The carrying amounts of the Company'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 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.

m) 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 statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined

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above, net of outstanding bank overdrafts as they are considered an integral part of the company's cash management.

n) **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

o) **Provisions**

General

Provisions are recognised when the company 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 company 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.

p) **Employee Benefits**

Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to 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 company 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 26. 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.

q) Leases

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.

Company as a lessee

Finance leases that transfer to the Company 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 Company 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

Notes to the Financial Statements

Year ended 31 March 2020

profit or loss on a straight-line basis over the lease term.

Accounting policy applied from 1 April 2019

The Company 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

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company 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 Company 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 costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company 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 Company 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 Company and payments of penalties for terminating the lease, if the lease term reflects the Company 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 Company 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 Company 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 Company 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 financial statements of the Company. The Company 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 recognise most leases on the statement of financial position.

The Company has adopted SLFRS 16 using modified retrospective method from 01st 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.

	Rs.
Assets	
Property, plant and equipment	(6,407,142)
Right-of-use assets	6,407,142
Net Assets	-
Liabilities	
Lease liabilities	5,498,054
Interest bearing loans and borrowings	(5,498,054)
Net Liabilities	-

Leases previously classified as finance leases

For leases previously classified as finance leases, the Company 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 1st 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,

Notes to the Financial Statements

Year ended 31 March 2020

which were included under 'Property, plant and equipment', were derecognised.

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

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

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

Upon adoption of the interpretation, the company considered whether it has any significant uncertain tax treatments will be accepted by the taxation authorities. The interpretation did not have an impact on the 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 Company's financial statements are disclosed below. The Company 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 Company's financial statements that standard is not effective. SLFRS 17 is effective from 01st January 2022. However, the adoption of SLFRS 17 does

not expecting to have an impact on the Company 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 Company 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 Company's financial statements.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's 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 Company's exposure to risks and uncertainties includes:

Disclosure	Note No.
Capital management	34
Financial instruments risk management and policies	33
Sensitivity analyses disclosures	26.3

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 Company based its assumptions and estimates on parameters

available when the 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 Company. 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

Notes to the Financial Statements

Year ended 31 March 2020

increases and pension increases are based on expected future inflation rates for the respective countries.

Further details about pension obligations are provided in Note 26.

Provision for expected credit losses of trade receivables

The Company 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. Management considered 100% ECL for debtors aged more than 365 days in determining the provision matrix for ECL.

The provision matrix is initially based on the Company's historical observed default rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The Company has considered the current decline in the tourism industry due to the impact of Covid19 Pandemic in determining the provisioning under ECL. The Management has monitored the effect of the global economic downturn to its travel agents through frequent discussion with them and based on the financial strength and negotiated the payment terms and future arrangements accordingly. More than 18% of above receivables are due from well-established foreign travel agents and 79% of the receivables are due from local travel agreements. Most of the dues have been settled subsequently.

Deferred Tax Assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

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 Company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore,

management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis

Fair value of freehold land and buildings

The Company 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 Company 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 Company 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 for the following assets of the Company for which the key assumptions used are disclosed and further explained in the respective notes.

Cash Generating Units (CGU) of the Company (Note 14).

Notes to the Financial Statements

Year ended 31 March

6. REVENUE FROM CONTRACTS WITH CUSTOMERS

6.1 Revenue

	2020 Rs.	2019 Rs.
Hotel income (Note 6.1.1)	623,280,635	795,681,063
	623,280,635	795,681,063

6.1.1 Segmentation of the revenue

	2020 Rs.	2019 Rs.
Rooms revenue	323,066,095	417,335,477
Food revenue	138,313,523	170,968,773
Beverage revenue	25,105,936	36,077,993
Banquet revenue	134,488,720	167,815,149
Laundry revenue	210,074	498,020
Spa revenue	2,096,287	2,985,651
	623,280,635	795,681,063

7. OTHER INCOME AND GAINS

	2020 Rs.	2019 Rs.
Telephone income	561	2,053
Gift shop sales	2,489,369	2,697,597
Gain on sale of property, plant, and equipment	2,997,438	3,092,743
Gain on currency exchange	708,420	651,185
Other revenue	1,768,288	2,095,580
	7,964,076	8,539,158

8. FINANCE COSTS AND INCOME**8.1 Finance Income**

	2020 Rs.	2019 Rs.
Interest income on fixed deposits and savings accounts	1,813,130	1,623,287
Interest on related party receivables	3,239,582	5,126,131
	5,052,712	6,749,418

8.2 Finance Expenses

	2020 Rs.	2019 Rs.
Interest Expense on bank overdrafts	21,553,495	29,003,306
Interest expenses on bank loans	170,530,387	186,709,758
Interest on related party payables	9,319,069	91,968,040
Mortgage Fee	501,370	500,000
Interest expenses on finance leases	-	694,221
Interest expenses on lease liabilities	366,656	-
	202,270,977	308,875,325

9. LOSS BEFORE TAX

	2020 Rs.	2019 Rs.
Loss before tax is stated after charging all the expenses including following;		
Costs of defined employee benefits		
- Salaries and wages	89,757,206	87,399,829
- Defined benefit plan costs - gratuity	2,100,238	1,411,855
- Defined contribution plan costs - EPF and ETF	13,479,177	13,121,484
Depreciation	166,068,514	170,041,638
Amortisation of intangible assets	295,895	93,884
Amortisation of right of use assets	4,308,717	-
Impairment of trade receivables	311,824	1,234,227
Donations	24,158	12,000
Business Promotions & Advertising cost	9,002,947	11,938,953
Auditors' remuneration		
- Statutory audit fee	380,000	380,000
- Internal audit fee	327,000	769,589
- Taxation fee	100,243	94,349

Notes to the Financial Statements

Year ended 31 March

10. TAX EXPENSE

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

	2020 Rs.	2019 Rs.
Current income tax		
Current income tax charge on current year profit (Note 10.1)	303,163	-
	303,163	-
Deferred tax expenses		
Deferred tax expenses /(reversal) (Note 10.2)	154,003	(197,660)
Income tax expense reported in the statement of profit or loss	457,166	(197,660)

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

	2020 Rs.	2019 Rs.
Accounting loss before income tax	(252,037,699)	(213,511,202)
Disallowed expenses	186,792,219	181,830,593
Deductible expenses	(288,989,695)	(311,857,511)
Business loss (Note 10.1.2)	(354,235,175)	(343,538,120)
Other sources of income		
Interest income	5,052,712	6,749,418
Total statutory income	5,052,712	6,749,418
Tax losses deducted against other sources of income	(3,789,534)	(6,749,418)
Total taxable income	1,263,178	-
Income tax on other source of income at 24%	303,163	-

10.1.1 Income tax rates

Hotel Operations

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.

Other income and gains

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

10.1.2 The taxable loss in Note 10.1 can not be claimed nor carried forward since the company enjoys a tax exemption.

10.2 Deferred tax liability

10.2.1 Statement of financial position

	2020 Rs.	2019 Rs.
At the beginning of the year	120,476,898	120,648,172
Recognised in profit or loss	154,003	(197,660)
Recognised in other comprehensive income	(165,811)	26,386
At the end of the year	120,465,090	120,476,898
Net deferred tax liability relate to the following;		
Defined benefit obligation	(994,903)	(604,870)
Capital allowances for tax purpose	378,225	-
Revaluation of land and building	121,081,768	121,081,768
Net deferred tax liability	120,465,090	120,476,898

10.2.2 Statement of Profit or Loss

	2020 Rs.	2019 Rs.
Deferred tax expense/ (reversal) arising from		
- Capital allowances for tax purpose	378,225	-
- Defined benefit obligation	(224,222)	(197,660)
Total deferred tax expense/ (reversal) for the year	154,003	(197,660)

Notes to the Financial Statements

Year ended 31 March

10.2.3 Statement of other comprehensive Income

	2020 Rs.	2019 Rs.
Deferred tax expense/ (reversal) arising from		
- Defined benefit obligation	(165,811)	26,386
- Revaluation of land/ building	-	-
Total deferred tax expense/(reversal) for the year	(165,811)	26,386

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 Loss and share data used in the basic/diluted loss per share computation.

	2020 Rs.	2019 Rs.
Amount used as the numerator:		
Net loss for the year	(252,494,865)	(213,313,542)
Number of ordinary shares used as denominator:		
Weighted average number of ordinary shares in issue	508,838,659	201,746,915
Basic/diluted loss per share	(0.50)	(1.06)

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 company.

As at 31 March	2020		2019	
	Fair value through profit or loss	Amortised cost	Fair value through profit or loss	Amortised cost
	Rs.	Rs.	Rs.	Rs.
Financial assets				
Trade and other receivables	-	124,218,598	-	102,458,184
Short term bank deposit	-	20,811,330	-	19,219,192
	-	145,029,928	-	121,677,376

As at 31 March	2020		2019	
	Fair value through profit or loss	Other financial liabilities	Fair value through profit or loss	Other financial liabilities
	Rs.	Rs.	Rs.	Rs.
Financial liabilities				
Interest bearing loans and borrowings	-	1,721,216,838	-	2,432,528,418
Trade and other payables	-	200,936,119	-	230,920,004
	-	1,922,152,957	-	2,663,448,422

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 at their fair value

The management assessed that the fair values of trade payables, bank overdrafts 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 company's assets and liabilities.

As at 31 March		2020				
		Fair Value Measurement Using			Total Fair Value	Rs.
Note	Date of valuation	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3		
Non-financial assets						
Property, plant & equipment						
- Freehold land	14	31 March 2018	-	-	984,937,500	
- Buildings	14	31 March 2018	-	-	2,708,554,588	
			-	-	3,693,492,088	
As at 31 March						
As at 31 March		2019				
		Fair Value Measurement Using			Total Fair Value	Rs.
Note	Date of valuation	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3		
Non-financial assets						
Property, plant & equipment						
- Freehold land	14	31 March 2018	-	-	984,937,500	
- Buildings	14	31 March 2018	-	-	2,779,436,254	
			-	-	3,764,373,754	

14. PROPERTY, PLANT AND EQUIPMENT

14.1 Gross carrying amounts

	Balance as at 01.04.2019	Additions	Disposals/ Transfer	Balance as at 31.03.2020
	Rs.	Rs.	Rs.	Rs.
At Cost or valuation				
Freehold land	984,937,500	-	-	984,937,500
Buildings	2,850,546,998	577,702	-	2,851,124,700
Gardening and landscaping	31,170,625	-	-	31,170,625
Motor vehicle	1,150,766	-	-	1,150,766
Computer and hardware	18,491,313	1,242,443	-	19,733,756
Machinery and other equipment	130,786,620	717,977	-	131,504,597
Electrical fittings and equipment	76,960,170	301,490	-	77,261,660
Kitchen, bar utensils and other equipment	125,849,477	1,064,828	-	126,914,304
Entertainment and security equipment	49,084,178	7,473,753	(447,651)	56,110,280
Air condition systems	183,383,313	398,325	-	183,781,638
Furniture and fittings	192,825,013	2,113,680	(865,221)	194,073,472
Furnishing and linen	59,888,381	4,826,819	(400,000)	64,315,200
Cutlery crockery and glassware	9,251,678	2,679,018	(2,686,815)	9,243,881
Generator and transformers	38,278,199	-	-	38,278,199
	4,752,604,231	21,396,035	(4,399,687)	4,769,600,578

Assets on Finance Leases

	Balance as at 01.04.2019	Additions	Transfers to Right-of- use assets	Balance as at 31.03.2020
	Rs.	Rs.	Rs.	Rs.
Motor vehicles	21,500,000	-	(21,500,000)	-
	21,500,000	-	(21,500,000)	-

Notes to the Financial Statements

Year ended 31 March

In the course of construction

	Balance as at 01.04.2019 Rs.	Incurred during the year Rs.	Transferred during the year Rs.	Balance as at 31.03.2020 Rs.
Capital work in progress				
Entertainment and Security Equipment	-	6,877,753	(6,877,753)	-
	-	6,877,753	(6,877,753)	-
Total gross carrying amount	4,774,104,231	28,273,788	(32,777,440)	4,769,600,578

14.2 Depreciation

	Balance as at 01.04.2019 Rs.	Charge for the Year Rs.	Disposals Transfer Rs.	Balance as at 31.03.2020 Rs.
At Cost/ Valuation				
Buildings	71,110,744	71,459,368	-	142,570,112
Gardening and landscaping	24,581,581	5,209,337	-	29,790,918
Motor vehicle	1,061,275	89,491	-	1,150,766
Computer and hardware	17,755,230	589,538	-	18,344,767
Machinery and other equipment	60,923,746	13,141,646	-	74,065,391
Electrical fittings and equipment	35,796,430	7,727,298	-	43,523,727
Kitchen, bar utensils and other equipment	58,476,466	12,685,472	-	71,161,938
Entertainment and security equipment	45,221,199	1,455,112	(447,651)	46,228,659
Air condition systems	56,396,904	12,267,923	-	68,664,827
Furniture and fittings	144,343,766	32,411,732	(781,102)	175,974,396
Furnishing and linen	51,065,934	4,931,959	(188,858)	55,809,035
Cutlery crockery and glassware	6,977,894	1,540,767	(2,686,815)	5,831,846
Generator and transformers	12,106,917	2,558,871	-	14,665,789
Total depreciation	585,818,086	166,068,514	(4,104,426)	747,782,171

Assets on Finance Leases

	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.
Motor vehicles	15,092,858	-	(15,092,858)	-
	15,092,858	-	(15,092,858)	-
Total depreciation	600,910,944	166,068,514	(19,197,284)	747,782,171

14.3 Net book values

	2020 Rs.	2019 Rs.
At Cost/ Valuation		
Freehold land	984,937,500	984,937,500
Buildings	2,708,554,588	2,779,436,254
Gardening and landscaping	1,379,707	6,589,044
Motor vehicle	-	89,491
Computer and hardware	1,388,989	736,084
Machinery and other equipment	57,439,206	69,862,874
Electrical fittings and equipment	33,737,933	41,163,741
Kitchen, bar utensils and other equipment	55,752,366	67,373,011
Entertainment and security equipment	9,881,621	3,862,980
Air condition systems	115,116,811	126,986,410
Furniture and fittings	18,099,076	48,481,247
Furnishing and linen	8,506,165	8,822,447
Cutlery crockery and glassware	3,412,035	2,273,783
Generator and transformers	23,612,411	26,171,282
	4,021,818,408	4,166,786,148
Assets on Finance Leases		
Motor Vehicles	-	6,407,142
	-	6,407,142
Total carrying amount of property, plant & equipment	4,021,818,408	4,173,193,290

Notes to the Financial Statements

Year ended 31 March

14.4 During the Financial year, the company acquired Property, plant & equipment to an aggregate value of Rs.21,396,035- (2019 - Rs. 33,189,030/-) . Cash payments amounting to Rs.18,486,619/- (2019 - Rs.30,618,630/-) were made during the year for the purchase of Property, Plant and Equipment.

14.5 Property, plant and equipment includes fully depreciated assets having a gross carrying amount of Rs.113,943,858/- (2019 -Rs.110,583,091/-)

14.6 The land and buildings belonging to Waskaduwa Beach Resort PLC, situated at No. 427, Samanthara Road, Kudawaskaduwa, Kaluthara were revalued by Mr. T. M. H. Mutaliph - D. I. V. (Sri Lanka), Incorporated Valuer as at 31st 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.

The valuer confirmed that there is no significant changes in valuation as at 31.03.2020

14.7 The following properties are revalued and recorded under freehold land & building. Fair Value measurement disclosure for revalued land based on un-observable input as follows.

Location	Extent Perch	Valuation Date	Valuation Details	Significant unobservable input : price per perch/ acre/ range	Fair Value measurement using Significant unobservable inputs (Level 3) Rs. Mn
Land Waskaduwa	1,313.25	31-Mar-18	Market based evidence	Rs. 750,000/- per perches	984.94

Location		Extent (Sq. ft.)		Valuation Details	Significant unobservable input : price per Sq. ft.		Fair Value measurement using Significant unobservable inputs (Level 3) Rs. Mn
		Room Area	Other Area		Room Area	Other Area	

Building

Waskaduwa	Ground floor	14,912	75,366	Depreciated replacement cost	Rs. 16,500/- per Sq.ft	Rs. 11,750/- per Sq.ft	1,188.12
	First floor	16,776	54,132	Depreciated replacement cost	Rs. 16,500/- per Sq.ft	Rs. 3,325/- per Sq.ft	547.46
	Second floor	16,776	15,127	Depreciated replacement cost	Rs. 16,500/- per Sq.ft	Rs. 3,750/- per Sq.ft	337.31
	Third floor	31,317	12,105	Depreciated replacement cost	Rs. 16,500/- per Sq.ft & Rs. 15,000/- per Sq.ft	Rs. 14,000/- and Rs.5,500/- per Sq.ft	567.55
	Roof Top and Other		33,259	Depreciated replacement cost		Rs.2,750/- and Rs.2,500 per Sq.ft	92.39
	Pond			Depreciated replacement cost			70.00
	Swimming Pool			Depreciated replacement cost			37.42
Number of buildings							04

Significant increases/ (decreases) in estimated price per perch and price per square feet would result in a significantly higher/ (lower) fair value of the properties.

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.

Notes to the Financial Statements

Year ended 31 March

- 14.8** 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.

Class of Assets	Cost	Cumulative Depreciation if assets were carried at cost	Net Carrying Amount 2020	Net Carrying Amount 2019
	Rs.	Rs.	Rs.	Rs.
Land	627,141,368	-	627,141,368	627,141,368
Building	2,587,986,949	369,083,062	2,218,903,887	2,283,025,859
	3,215,128,317	369,083,062	2,846,045,255	2,910,167,227

14.9 Impairment Assessment of Cash Generating Unit (CGU)

The hotel property of the Company was identified as single CGU for purposes of assessing impairment. The impairment test was carried out for the Company's Hotel property 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%

15. RIGHT OF USE ASSET

	2020	2019
	Rs.	Rs.
Cost		
As at 1st April 2019	-	-
Transferred from property plant & equipment	6,407,142	-
As at 31st March 2020	6,407,142	-
Accumulated depreciation		
As at 1st April 2019	-	-
Depreciation charged for the year	4,308,717	-
As at 31st March 2020	4,308,717	-
Carrying value	2,098,425	-

16. INTANGIBLE ASSETS

	2020			2019
	Website Development	Software	Total	Total
	Rs.	Rs.	Rs.	Rs.
Cost				
At the beginning of the year	1,067,583	160,000	1,227,583	647,238
Acquisitions during the year	-	1,083,091	1,083,091	580,345
At the end of the year	1,067,583	1,243,091	2,310,674	1,227,583
Amortization				
At the beginning of the year	487,238	56,393	543,631	449,747
Amortization for the year	193,959	101,936	295,895	93,884
At the end of the year	681,196	158,330	839,526	543,631
Carrying amount	386,387	1,084,761	1,471,148	683,952

* The cost incurred for the development of Web Site and purchase of Accounting Software have been categorized as intangible asset. Intangible asset is amortized over 03 years

17. INVENTORIES

	2020	2019
	Rs.	Rs.
Food & beverage	9,094,158	8,821,497
Housekeeping & engineering	2,558,277	2,215,034
Other stocks	4,027,849	5,168,849
	15,680,284	16,205,380

No impairment were recognized on the inventories.

Notes to the Financial Statements

Year ended 31 March

18. TRADE AND OTHER RECEIVABLES

	2020 Rs.	2019 Rs.
Trade Debtors - Others	53,137,625	79,320,275
- Related parties (18.1)	4,630,837	10,058,713
	57,768,462	89,378,988
Less: Impairment for trade debtors (18.3)	(3,698,168)	(3,386,344)
	54,070,294	85,992,644
Other Debtors - Others	1,532,837	5,706,056
- Related Parties (18.2)	1,620,516	4,939,461
Current trade and other receivables	57,223,647	96,638,162
Non-current trade and other receivables (18.6)	66,994,952	5,820,022

18.1 Trade debtors - related parties

	Relationship	2020 Rs.	2019 Rs.
Citrus Silver Limited	Affiliate Company	-	4,434,482
Emagewise (Pvt) Ltd.	Affiliate Company	-	576,650
Triad (Pvt) Ltd.	Affiliate Company	1,305,071	1,972,413
George Steuart Travels Ltd.	Affiliate Company	61,091	64,743
George Steuart Health (Pvt) Ltd.	Affiliate Company	236,500	353,400
George Steuart Teas (Pvt) Ltd.	Affiliate Company	-	19,000
Power House Limited	Affiliate Company	2,393,310	2,028,160
George Steuart Solutions (Pvt) Ltd.	Affiliate Company	634,865	609,865
		4,630,837	10,058,713

18.2 Other Debtors - related Parties

	Relationship	2020 Rs.	2019 Rs.
Emagewise (Pvt) Ltd	Affiliate Company	-	486,575
Citrus Leisure PLC	Intermediate Parent Company	-	2,150,940
Hikkaduwa Beach Resort PLC	Parent Company	1,620,516	2,095,761
Citrus Aqua Limited	Affiliate Company	-	206,185
		1,620,516	4,939,461

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

Trade and other receivables

	Neither past due nor impaired < 30 Days Rs.	Past Due not Impaired				Total Rs.
		31 - 60 Days Rs.	61 - 90 Days Rs.	91 - 120 Days Rs.	> 120 Days Rs.	
2020						
Trade debtors	20,619,743	17,315,520	9,525,783	1,398,281	8,909,134	57,768,462
Less: Impairment for trade debtors	-	-	-	-	(3,698,168)	(3,698,168)
	20,619,743	17,315,520	9,525,783	1,398,281	5,210,966	54,070,294
2019						
Trade Debtors	53,810,378	11,894,173	3,953,282	32,320	19,688,835	89,378,988
Less: Impairment for trade debtors	-	-	-	-	(3,386,344)	(3,386,344)
	53,810,378	11,894,173	3,953,282	32,320	16,302,491	85,992,644

18.4 Impairment for trade debtors

	2020 Rs.	2019 Rs.
As at beginning of the year	3,386,344	2,152,117
Charge for the year	311,824	1,234,227
As at end of the year	3,698,168	3,386,344

18.5 Impairment of debtors

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

The Company has considered the current decline in the tourism industry due to the impact of Covid19 pandemic as a specific factor to the economic environment. The Management has monitored the effect of the global economic downturn to its travel agents through frequent discussions with them and based on the financial strength and negotiated the payment terms and future arrangements accordingly. All above receivables are due from well-established travel agents and most of the dues are still within the credit period. The Management has considered the subsequent settlements of receivables and results of negotiations with travel agents on arriving the default rates.

Notes to the Financial Statements

Year ended 31 March

Refer Note 33.5 on credit risk of trade receivables, which discuss how the Company measure credit quality of trade receivables that are neither past due nor impairment.

For terms and conditions with related parties, refer to Note 31.1

18.6 Other receivables - related Parties

	Relationship	2020 Rs.	2019 Rs.
Hikkaduwa Beach Resort PLC	Parent Company	66,994,952	-
Citrus Vacations Limited	Affiliate Company	-	248,535
Citrus Silver Limited	Affiliate Company	-	5,571,487
		66,994,952	5,820,022

19. ADVANCE AND PREPAYMENT

	2020 Rs.	2019 Rs.
Advances	8,237,029	7,576,700
Pre-payments	4,723,619	5,761,335
	12,960,648	13,338,035

20. INCOME TAX RECEIVABLE

	2020 Rs.	2019 Rs.
ESC receivables	7,005,504	14,559,809
WHT receivable	752,997	514,664
Provision for irrecoverable taxes	-	(5,117,564)
	7,758,501	9,956,909

21. CASH AND CASH EQUIVALENTS

	2020 Rs.	2019 Rs.
Short term bank deposit (21.1)	20,811,330	19,219,192
Cash in bank	1,791,176	2,317,822
Cash in hand	2,124,918	3,769,559
	24,727,424	25,306,573

21.1 Short term bank deposit

	Credit Rating	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.

22. STATED CAPITAL

22.1 Issued and fully-paid - ordinary shares

As at 31 March	2020		2019	
	Number	Rs.	Number	Rs.
As at the beginning of the year	201,746,915	2,042,238,316	201,746,915	2,042,238,316
Issue of shares	358,110,181	859,464,434	-	-
As at the end of the year	559,857,096	2,901,702,750	201,746,915	2,042,238,316

22.2 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, 358,110,181 Ordinary Voting Shares were allotted on 10th May 2019. The company issued total number of shares 358,110,181 (at Rs. 2.40) in Colombo Stock Exchange in the proportion of Nine (9) new ordinary shares for every Five (5) ordinary voting shares held by the shareholders as at 8th April 2019., of which 358,089,334 shares were allotted to Hikkaduwa Beach Resort PLC, thereby converting the restructured debt Rs.859,414,401/- that was payable to Hikkaduwa Beach Resort PLC by the Company.

The cash subscription received of Rs.50,032.80 in respect of 20,847 shares was utilised to reduce the debt owed to Commercial Bank of Ceylon PLC on 04th June 2019.

The new 358,110,181 Ordinary Voting Shares were listed on the Colombo Stock Exchange on 23rd May 2019.

Notes to the Financial Statements

As at 31 March

23. REVALUATION RESERVE

Nature and purpose of the reserve

Revaluation reserve is used to record increments and decrements on the revaluation of lands and buildings of the company. 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 2.2 (g) for details.

	2020 Rs.	2019 Rs.
Revaluation reserve at the beginning of the year	743,788,003	743,788,003
Revaluation reserve at the end of the year	743,788,003	743,788,003

24. INTEREST BEARING LOANS AND BORROWINGS

	2020 Rs.	2019 Rs.
Non-current interest -bearing loans and borrowings		
Long term loans (24.1)	1,564,361,149	1,372,900,000
Finance leases (24.2.1)	-	1,461,409
	1,564,361,149	1,374,361,409
Current interest -bearing loans and borrowings		
Long term loans (24.1)	-	13,500,000
Finance leases (24.2.1)	-	4,036,645
Bank overdrafts	156,855,689	157,021,643
	156,855,689	174,558,288
Total interest-bearing loans and borrowings	1,721,216,838	1,548,919,697

24.1 Long term loans

	2020 Rs.	2019 Rs.
At the beginning of the year	1,386,400,000	1,448,093,673
Interest accrued during the moratorium period	179,461,149	-
Repayments during the year	(1,500,000)	(61,693,673)
At the end of the year	1,564,361,149	1,386,400,000
Current	-	13,500,000
Non Current	1,564,361,149	1,372,900,000
	1,564,361,149	1,386,400,000

* No repayment of long term loans within next 12 months as company is enjoying grace period with the moratorium offered by the bank

24.2 Finance lease

	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				
Gross liability	5,916,272	-	(5,916,272)	-
Less: Finance charges allocated to future period	(418,218)	-	418,218	-
Net liability	5,498,054	-	(5,498,054)	-

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

As at 31 March	Gross liability		Net liability	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Current - Finance Lease obligation payable within one year	-	4,148,940	-	4,036,645
Non Current - Finance Lease obligation payable between one and five years	-	1,767,332	-	1,461,409
	-	5,916,272	-	5,498,054
Less: Amount representing finance charges	-	(418,218)		
Net liability	-	5,498,054		

Notes to the Financial Statements

As at 31 March

24.3 Interest bearing loans and borrowings

Lender	Nature of facility	Approved facility Rs. rate	Repayment Terms	Details of collateralis	Carrying Value of Facility		Carrying Value of Asset Pledge		
					2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.	
Sampath Bank PLC	Permanent Overdraft	17,250,000	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	75,000,000	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 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	Approved facility Rs. rate	Repayment Terms	Details of collaterals	Carrying Value of Facility		Carrying Value of Asset Pledge	
					2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Sampath Bank/PLC	Term Loan Facility	602,000,000	134 Monthly Installments starting from 26th 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 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
Sampath Bank/PLC	Term Loan Facility	1,048,000,000	134 Monthly Instalments starting from 26th 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 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

Notes to the Financial Statements

As at 31 March

Lender	Nature of facility	Approved facility Rs. rate	Repayment Terms	Details of collaterals	Carrying Value of Facility		Carrying Value of Asset Pledge		
					2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.	
Sampath Bank PLC	Term Loan Facility	209,870,000	60 Monthly Instalments Starting from July 2021	10% Per annum payable monthly together with statutory taxes	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 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	-
Sampath Bank PLC	Term Loan Facility	117,780,000	60 Monthly Instalments Starting from July 2021	10% Per annum payable monthly together with statutory taxes	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 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.	8,382,308	-	3,693,492,088	-

Lender	Nature of facility	Approved facility Rs. rate	Repayment Terms	Details of collaterals	Carrying Value of Facility		Carrying Value of Asset Pledge	
					2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Commercial Bank of Ceylon PLC	Permanent Overdraft	50,000,000	AWPLR+2.5% p.a. payable monthly together with statutory taxes	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

As at 31 March

25. LEASE LIABILITY

	2020 Rs.	2019 Rs.
Transfer from interest bearing loans and borrowings	5,498,054	-
Interest expense	366,656	-
Payments	(3,527,458)	-
As at end of the year	2,337,252	-
25.1 Current lease liabilities	2,337,252	-
Non-current lease liabilities	-	-
	2,337,252	-

25.2 In the previous year, the company 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 Company's borrowings. For adjustments recognized on adoption of SLFRS 16 on 1 April 2019, please refer note 03.

26. RETIREMENT BENEFIT OBLIGATION

	2020 Rs.	2019 Rs.
As at beginning of the year	4,320,489	3,097,109
Current service cost	1,624,984	1,102,144
Interest cost	475,254	309,711
Actuarial (gain)/loss arising from changes in assumptions	1,184,366	(188,475)
Payments made during the year	(498,650)	-
As at end of the year	7,106,443	4,320,489

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

	2020 Rs.	2019 Rs.
Expense recognized in profit or loss		
Current service cost	1,624,984	1,102,144
Interest cost	475,254	309,711
	2,100,238	1,411,855
Actuarial (Gain)/Loss recognized directly in OCI	1,184,366	(188,475)

26.2 Maturity profile of the defined benefit obligation

	2020 Rs.	2019 Rs.
Within the next 12 months	2,868,134	1,629,478
Between 1-2 Years	1,653,255	1,151,407
Between 3-5 Years	2,062,421	1,201,662
Between 6-10 Years	515,365	331,229
Beyond 10 Years	7,269	6,714
Total	7,106,443	4,320,489

26.3 Sensitivity analysis

In order to illustrate the significance of the salary escalation rates and discount rates assumed in these valuations a sensitivity analysis for all employees of company is carried out as follows;

	2020 Rs.	2019 Rs.
Discount Rate as at 31 March 2020		
Effect on DBO due to decrease in the discount rate by 1%	130,925	79,625
Effect on DBO due to increase in the discount rate by 1%	(125,725)	(76,521)
Salary escalation rate as at 31 March 2020		
Effect on DBO due to decrease in salary escalation rate by 1%	(156,391)	(96,463)
Effect on DBO due to increase in salary escalation rate by 1%	160,176	98,842

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.

Notes to the Financial Statements

As at 31 March

26.4 The average duration of the defined benefit plan obligation at the end of the reporting period is 1.97 years. (2019 - 1.57 years)

26.5 Principle assumptions used for actuarial valuation,

Messrs. Actuarial & Management Consultants (Pvt) Ltd, Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity using the Projected Unit Credit Method as at 31st March 2020. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

	2020	2019
Discount rate assumed	10.00%	11.00%
Future Salary increase rate	8%	8%
Staff turn over	50%	50%

The demographic assumption underlying the valuation is retirement age - 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.

27. TRADE AND OTHER PAYABLES

	2020 Rs.	2019 Rs.
Trade Payables - others	35,253,393	23,630,560
- related Parties (27.1)	3,881,222	4,471,708
Other Payables - others	51,862,569	51,895,127
- related Parties (27.2)	-	1,406,114
Notes payable	66,024,610	66,189,191
Sundry creditors including accrued expenses	43,914,325	79,474,075
Current trade and other payables	200,936,119	227,066,775
Non- current trade and other payables (27.3)	-	883,608,721

For terms and conditions with related parties, refer to note 31.1.

For explanations on the Company's liquidity risk management processes, refer to note 33.

27.1 Trade Payables - related parties

	Relationship	2020 Rs.	2019 Rs.
George Steuart Laboratories (Pvt) Ltd.	Affiliate Company	1,219,064	625,235
George Steuart Teas (Pvt)Ltd.	Affiliate Company	37,821	67,427
George Steuart Solutions (Pvt) Ltd.	Affiliate Company	110,975	-
Citrus Vacations Limited	Affiliate Company	-	273,200
Divasa Equity (Pvt) Ltd.	Affiliate Company	460,239	545,163
Triad (Pvt) Ltd.	Affiliate Company	578,253	878,580
Adpack Productions (Pvt) Ltd.	Affiliate Company	879,618	1,068,310
Emagewise (Pvt) Ltd.	Affiliate Company	595,252	1,013,793
		3,881,222	4,471,708

27.2 Other payables - related Party

	Relationship	2020 Rs.	2019 Rs.
Citrus Vacations Limited	Affiliate Company	-	170,285
Citrus Silver Limited	Affiliate Company	-	1,235,829
		-	1,406,114

27.3 Non- current trade and other payables

	Relationship	2020 Rs.	2019 Rs.
Citrus Leisure PLC	Intermediate Parent	-	24,699,672
Hikkaduwa Beach Resort PLC	Parent Company	-	858,534,525
Citrus Aqua Limited	Affiliate Company	-	374,524
		-	883,608,721

28. CONTRACT LIABILITIES

	2020 Rs.	2019 Rs.
Advance received for future room reservations	11,577,954	12,291,510
Advance received for future banquet reservations	11,333,626	14,690,929
Advance received for cancelled banquet reservations	1,552,249	1,510,451
	24,463,829	28,492,891

These amounts will be settled for revenue within next 12 months

Notes to the Financial Statements

As at 31 March

29. COMMITMENTS

The Company does not have significant commitments and contingencies as at the reporting date.

30. CONTINGENT LIABILITIES

There were no material contingent liabilities as at 31 March 2020, which would require adjustment to, or disclosure in the financial statements.

31. RELATED PARTY DISCLOSURES

31.1 Terms and conditions of transactions with related parties

Transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest is charge 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 Company 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 57 - 59 Related Party Transactions Review Committee Report.

3.1.2 Transaction with the parent and related entities

Details of significant related party disclosures are as follows:

Nature of Transaction	Intermediate Parent Company ⁶		Parent Company ^{**}		Affiliate Companies ^{***}		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1 April	(22,548,732)	(202,849,970)	(856,438,765)	(438,571,962)	10,319,150	10,957,336	(868,668,346)	(630,464,496)
Recurrent transactions								
Fund transfers	-	21,900,000	162,243,715	88,200,587	16,905,267	60,729,250	179,148,982	170,829,837
Funds received from Settlement received	(18,900,000)	(115,000,000)	(92,150,000)	(83,840,300)	(28,184,169)	(46,399,250)	(139,234,169)	(245,739,550)
Expenses incurred on behalf of other companies	5,434	1,208,735	839,990	2,409,948	2,296,296	852,042	3,141,721	4,470,726
Expenses incurred on behalf of the company	(12,421,475)	(10,633,368)	(1,046,520)	(1,642,366)	-	(14,737,122)	(13,467,996)	(27,012,856)
Collection made by the Company on behalf of others	(7,454,249)	-	(310,870)	(108,603)	-	-	(7,765,119)	(108,603)
Collection made by the others on behalf of the company	-	607,557	2,011,426	2,301,946	-	-	2,011,426	2,909,503
Inter-company interest income	24,966	-	2,700,487	-	514,128	4,917,466	3,239,582	4,917,466
Inter-company interest expense	(694,483)	(17,918,802)	-	(3,252,925)	(9,950)	(3,486,255)	(734,433)	(53,932,983)
Management fee	(29,275,012)	(50,004,151)	(501,370)	(500,000)	-	-	(29,275,012)	(50,004,151)
Mortgage fee expenses	-	-	-	(500,000)	-	-	(501,370)	(500,000)
Payment made for interest, management fees and other settlements	91,226,488	46,350,092	-	34,900,000	14,117,777	47,683,079	105,344,265	128,933,171
Trading nature transactions (Sales)	-	-	66,500	-	4,284,512	4,836,316	4,351,012	4,836,316
Settlements for trading nature transactions (sales receipts)	-	-	-	-	(4,715,458)	(4,950,402)	(4,715,458)	(4,950,402)
Purchase of goods/service	-	-	-	-	(14,722,660)	(18,331,096)	(14,722,660)	(18,331,096)
WHT receivable	(2,389)	-	(59,010)	-	(26,521)	(85,819)	(87,919)	(85,819)
WHT payable	39,451	895,355	430,119	3,041,771	1,242	40,264	470,812	3,977,390

Notes to the Financial Statements

As at 31 March

Nature of Transaction	Intermediate Parent Company*		Parent Company**		Affiliate Companies***		Total	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Non-recurrent transactions								
Transfer of assets	-	-	-	-	-	36,928	-	36,928
Funds received from	-	-	(113,950,000)	(113,950,000)	-	-	-	(113,950,000)
Inter-company interest expense on right issue balance	-	-	(6,584,636)	(38,035,327)	-	-	(8,584,636)	(38,035,327)
Funds received on group debt restructure	-	-	-	(348,272,528)	-	(76,620,394)	-	(424,892,922)
Funds transferred on group debt restructure	-	303,395,720	-	70,155,994	-	44,876,808	-	418,428,522
Right issue of shares	-	-	859,414,402	-	-	-	859,414,402	-
Total	-	(22,548,732)	68,615,468	(856,438,765)	749,615	103,191,150	69,365,083	(868,668,346)
Included under								
Trade and other receivables	-	21,50940	1,620,516	2,095,761	4,630,837	10,751,474	6,251,353	14,998,175
Non-current trade and other receivables	-	-	66,994,952	-	-	5,820,022	66,994,952	5,820,022
Trade and other payables	-	-	-	-	(3,881,222)	(5,877,822)	(3,881,222)	(5,877,822)
Non-current trade and other payables	-	(24,699,672)	-	(85,8534,525)	-	(374,524)	-	(883,608,721)
Total	-	(22,548,732)	68,615,468	(856,438,765)	749,615	103,191,150	69,365,083	(868,668,346)

The transactions between related parties are taken place at agreed transaction rate based on arms length basis.

* Intermediate parent company - Citrus Leisure PLC

** Parent company - Hikkaduwa Beach Resort PLC

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

31.3 Transactions with key management personnel

Key management personnel include the Board of Directors of the Company, that of its intermediate parent entity Citrus Leisure PLC.

(i) Compensation to key management personnel

No directors emoluments were incurred at the company level 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 Personnel for the year ended 31 March 2020 (2019 - Nil).

32. EVENTS OCCURRING AFTER THE REPORTING DATE

Apart from 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.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

33.1 Overview

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

- Market risk
- Liquidity risk
- Credit risk

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

Notes to the Financial Statements

As at 31 March

33.2 Risk management framework

The Board of Directors have overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is supported by the Audit committee in managing all risks affecting the Company. The Company audit committee is assisted in its oversight role by Company's internal audit conducted by Pricewaterhouse Coopers. 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-corporation with the Company'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 summarised below.

33.3 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 and Foreign currency risk. Financial instruments affected by market risk include bank overdrafts, debt and equity investments and investments designated under fair value through profit or loss.

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

The Company's exposure to interest rate risk for the year ended 31st March 2020 and sensitivity analysis to profit & loss if interest rate increased /decrease by 100 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 (0.5%)	(7,821,806)
	-50 (-0.5%)	7,821,806
2019	+50 (0.5%)	(6,932,000)
	-50 (-0.5%)	6,932,000

33.3.2 Foreign exchange risk

The Company is being involved in hospitality operations and 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 LKR using the conversion rates established by the industry.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates with all other variables held constant, the company's profit before tax. The Company exposure to all the other currencies are not material.

	Change in exchange rate	Change in Profit before tax Rs.
2020	+5%	504,621
	-5%	(504,621)
2019	+5%	1,588,001
	-5%	(1,588,001)

33.4 Liquidity Risk

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

The Company continuously prepare and monitors rolling cash flow forecasts and assess 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 Company 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 Company's financial liabilities based on contractual discounted payments:

Notes to the Financial Statements

As at 31 March

As at 31 March 2020	On Demand Rs.	Less than 3 months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	Over 5 years Rs.	Total Rs.
Interest-bearing loans and borrowings	156,855,689	-	-	580,861,149	983,500,000	1,721,216,838
Trade and other payables	186,707,935	14,228,184	-	-	-	200,936,119
	343,563,624	14,228,184	-	580,861,149	983,500,000	1,922,152,957

As at 31 March 2019	On Demand Rs.	Less than 3 months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	Over 5 years Rs.	Total Rs.
Interest-bearing loans and borrowings	1,749,242	159,660,090	12,843,033	241,767,332	1,132,900,000	1,548,919,697
Trade and other payables	13,240,788	64,371,348	149,454,640	-	-	227,066,775
	14,990,030	224,031,438	162,297,673	241,767,332	1,132,900,000	1,775,986,473

33.5 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 Company 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 Company's maximum exposure to credit risk at the reporting date were as follows;

	2020 Rs.	2019 Rs.
Trade and other receivables	57,223,647	96,638,162
Investments in bank deposits	20,811,330	19,219,192
Cash at Bank	1,791,176	2,317,822
	79,826,153	118,175,176

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 18.

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	1,595,548	1,760,239
Corporate debtors	55,628,099	94,877,923
	57,223,647	96,638,162

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 18.3 to the financial statements.

Notes to the Financial Statements

As at 31 March

34. CAPITAL MANAGEMENT

The Company objectives when managing capital are to safeguard the Company'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 & Reserves

Debt

- Long term bank borrowings & Finance Lease

- Long term related party borrowings

The Company 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. Company's future developments, investments and business strategies.

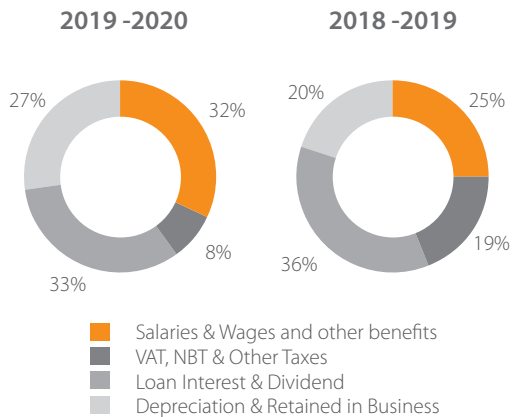
The Company's Gearing ratio at 44% (2019 - 61%) . The Company manages its capital structure, and makes adjustments to it, in the light of changes in economic conditions, and continues looking for ways of improving its capital structure in order to support the Company's Business strategies.

5 Year Summary

	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	
TRADING RESULTS						
Revenue	Rs.'000s	651,242	685,759	693,580	795,681	623,281
Profit/(Loss) Before Tax	Rs.'000s	(196,321)	(227,401)	(254,248)	(213,511)	(252,038)
Taxation (Expense)/Reversal	Rs.'000s	(106)	(669)	(982)	198	(457)
Profit/(Loss) After Tax	Rs.'000s	(196,428)	(228,070)	(255,230)	(213,314)	(252,495)
Funds employed						
Stated capital	Rs.'000s	2,042,238	2,042,238	2,042,238	2,042,238	2,901,703
Capital Reserves	Rs.'000s	100,924	100,924	743,788	743,788	743,788
Revenue reserves	Rs.'000s	(561,605)	(789,203)	(1,044,618)	(1,257,769)	(1,511,283)
Borrowings	Rs.'000s	1,796,726	1,706,039	1,708,983	1,548,920	1,721,217
Assets Employed						
Non-current assets	Rs.'000s	3,884,964	3,730,996	4,367,436	4,179,697	4,092,383
Current assets	Rs.'000s	130,539	146,235	151,189	161,445	118,351
Cashflow						
Net cash inflow/(outflow) from operating activities	Rs.'000s	13,642	31,900	(83,013)	(117,176)	104,031
Net cash inflow/(outflow) from investing activities	Rs.'000s	(41,769)	(15,122)	(50,007)	(24,621)	(75,639)
Net cash inflow/(outflow) from financing activities	Rs.'000s	10,976	(48,070)	46,560	241,695	(28,805)
Increase / (decrease) in cash and cash equivalents	Rs.'000s	(17,151)	(31,291)	(86,460)	99,898	(413)
Key Indicators						
Earnings/(Loss) per Share - Basic/diluted	Rs.	(1.26)	(1.13)	(1.27)	(1.06)	(0.50)
Net Assets Value per share	Rs.	10.16	8.10	8.63	7.58	3.81
Market price per share	Rs.	3.30	3.00	3.20	2.30	3.50
Interest cover	Times	0.10	0.16	0.09	0.29	(0.27)
Dividend Per Share	Rs.	-	-	-	-	-
Dividend Payout Ratio	%	-	-	-	-	-

Statement of Value Added

	2019/20		2018/19	
	Rs.	%	Rs.	%
Turnover	735,511,387		1,039,148,695	
Other Income	11,849,574		15,288,575	
	747,360,961		1,054,437,269	
Less: Cost of Material & Services bought in	(380,562,356)		(409,157,571)	
	366,798,605		645,279,699	
Value Allocated to Employees				
Salaries & Wages and other benefits	196,534,857	32	216,551,244	25
To Government				
VAT & NBT & Other Taxes	49,806,513	8	163,036,316	19
To Providers of Capital				
Loan Interest & Dividend	202,278,974	33	308,875,324	36
To Expansion & Growth				
Depreciation & Retained in Business	170,673,126	27	170,130,357	20
	619,293,470	100	858,593,241	100



Share Information

ORDINARY SHAREHOLDERS

There were 1,296 registered shareholders as at 31st March 2020, distributed as follows.

Shareholders Categorised Summary Report – As at 31st March 2020

From	To	No of Holders	No of Shares	%
1	1,000	836	211,529	0.04
1,001	10,000	315	1,385,698	0.25
10,001	100,000	126	4,104,231	0.73
100,001	1,000,000	17	2,858,099	0.51
Over 1,000,000		2	551,297,539	98.47
Total		1,296	559,857,096	100.00

Categories of Shareholders

Category	No of Holders	No of Shares	%
Local Individuals	1,240	9,907,856	1.77
Local Institutions	48	549,737,953	98.19
Foreign Individuals	8	211,287	0.04
Foreign Institutions	-	-	0.00
Total	1,296	559,857,096	100.00

The percentage of the shares held by public as at 31st March 2020 was 2.01% (As at 31st March 2019 was 5.570%) comprising 1,295 shareholders (As at 31st March 2019 was 1,219 shareholders).

The Float adjusted market capitalization of the company as at 31 March 2020 is Rs: 39,404,904.00. The Company does not comply with minimum public holding requirement CSE Listing Rules 7.13.1 (b) with effect from 28th February 2018 consequent to the transfer of shares under the voluntary offer.

However on 17th June 2020, with a view to increasing the public holding of the Company, Hikkaduwa Beach Resort PLC (the parent entity) divested 44,878,568 shares out of its 548,598,552 shares held in the capital of the Company, consequent to which the shareholding of Hikkaduwa Beach Resort PLC dropped from 97.99% to 89.97%.

Accordingly, the Public Float of the Company now stands at 10.03% and the Company has complied with the minimum public holding requirement to be maintained by an entity listed on the Diri Savi Board.

Share Information

Market Price per share

	2019/20 Rs.	2018/19 Rs.
Highest during the year	7.70 (19.11.2019)	3.80 (30.10.2018)
Lowest during the year	1.60 (10.06.2019)	1.80 (25.03.2019)
As at end of the year	3.50	2.30

20 Major Shareholders of the Company

	Name	As at 31.03. 2020		As at 31.03. 2019	
		No of Shares	(%)	No of Shares	(%)
1	Hikkaduwa Beach Resort PLC	548,598,552	97.99	190,509,218	94.43
2	Mr G R W De Soysa	2,698,987	0.48	2,698,987	1.34
3	Mr. N A Sellahewa (Deceased)	475,742	0.08	475,742	0.24
4	Mr.W A S P De Saram	248,798	0.04	337,792	0.17
5	Merchant Bank of Sri Lanka & Finance PLC/ D K M M S Cooray	196,463	0.04	268,533	0.13
6	Ewis Peripherals (Private) Limited	193,820	0.03	193,820	0.10
7	Mr S Srikanth	158,248	0.03	158,248	0.08
8	Mr. H R Peries	155,247	0.03	155,247	0.08
9	Mr. P P Thevarajah	152,690	0.03	-	0.00
10	Mrs. W P Wijesekera	150,000	0.03	150,000	0.07
11	Mr. N W S B Ekanayaka	150,000	0.03	50,000	0.02
12	Mr. T G S Sandaruwan	144,545	0.03	-	0.00
13	Mr. W S A R Fernando	143,700	0.03	-	0.00
14	Polgahawela Sanasa Societies Union Ltd	140,428	0.03	-	0.00
15	Mr. Y K B Dissanayake	134,500	0.02	-	0.00
16	Emarketingey (Pvt) Ltd	107,251	0.02	-	0.00
17	Mr. I U M Wijerathne	103,952	0.02	-	0.00
18	Mr. D M T Madusanka	102,022	0.02	54,002	0.03
19	Mr. Egodahe wage Nayanajith	100,693	0.02	-	0.00
20	Mr. S A Ratnam	100,000	0.02	100,000	0.05
21	Dr. S Yaddehige	100,000	0.02	100,000	0.05
22	Mr. L N S K Samarasinghe	100,000	0.02	100,000	0.05
		554,455,638	99.04	195,351,589	96.83
	Others	5,401,458	0.96	6,395,326	3.17
	Total	559,857,096	100.00	201,746,915	100.00

Director's and CEO's Shareholding

Directors	No of Shares	(%)	No of Shares	(%)
	31.03.2020		31.03.2019	
Mr. E P A Cooray	-	-	-	-
Mr. D S Jayaweera	-	-	-	-
Ms. V S F Amunugama	-	-	-	-
Mr. S A Ameresekere	-	-	-	-
Mr. R Seneviratne	-	-	-	-
Mr. J M B Pilimalawwe	-	-	-	-
Mr. S D de Mel	-	-	-	-
Chief Executive Officer	-	-	-	-
Mr. P C B Talwatte	-	-	-	-

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Ninth Annual General Meeting of Waskaduwa Beach Resort PLC will be held at Srilanka Foundation Institute, Lecture Hall No 03, No 100 Srilanka Padanama Mawatha, Independent Square, Colombo 07 on 06th January 2021 at 10.00 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. S D De Mel 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

WASKADUWA BEACH RESORT PLC



P W CORPORATE SECRETARIAL (PVT) LTD

Secretaries

08th 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 10.00 p.m. on 4th January 2021.

Form of Proxy

*I/We..... holder of
 NIC No of being a
 shareholder /shareholders of Waskaduwa 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*
Ms. V S F Amunugama	or failing her*
Mr. J M B Pilimalawwe	or failing him*
Mr. S D De Mel	or failing him*
Mr. S A Ameresekere	

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 10.00 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. S D De Mel as a Director in terms of Article 88 of the Article of Association of 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.

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 10.00 p.m. on 4th January 2021.

Corporate Information

Name of Company

Waskaduwa Beach Resort PLC

Legal Form

Public Quoted Company with limited liability Incorporated in Sri Lanka.

Company Registration No.

PB 4242 PQ

Registered Office

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

Telephone : 0115 755 055

Fax : 0115 470 000

E-mail : info@citrusleisure.com

Website : www.citrusleisure.com

Board of Directors

Mr. E P A Cooray (Chairman)

Mr. D S Jayaweera

Ms. V S F Amunugama

Mr. S A Ameresekere

Mr. R Seneviratne

Mr. J M B Pilimatalawwe

Mr. S D de Mel

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
201, De Saram Place,
Colombo 10.

Bankers

Sampath Bank PLC

Commercial Bank of Ceylon PLC

Nations Trust Bank PLC

Bank of Ceylon

Hatton National Bank PLC

Pan Asia Banking Corporation PLC

Union Bank of Colombo PLC

People's Bank

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www.citrusleisure.com

Waskaduwa Beach Resort PLC
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