

citrus

Waskaduwa Beach Resort PLC

Annual Report 2020/21

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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 2021.

This last year has been exceptionally challenging for Sri Lanka's tourist industry and indeed the whole world - yet despite these times of trial we remain optimistic and confident in our ability to navigate our way through and create better opportunities for the future.

Industry Overview

Beginning with the Easter bombings in April 2019, Sri Lanka's tourism industry has been hard hit and conditions have continued to deteriorate with the COVID-19 pandemic. The industry coped well during the first months of the pandemic in early 2020, with hotels still retaining good occupancy levels and managing to make up losses from the aftermath of the attacks. As the pandemic escalated around the world, many countries began closing their borders, with Sri Lanka shutting down its airport in March 2020 and halting all international tourism – dealing a devastating blow to the industry.

As the second wave hit Sri Lanka, the industry was virtually ground to a halt, kept afloat by the trickle of local traffic till the end of 2020. During this time, many hotels remained closed while others were converted into Quarantine and Intermediate Care Centres (ICC). Compared to the previous year however, the numbers have taken a steep dive across the board and many hotels were forced to permanently close or take drastic steps to curb losses.

The COVID-19 pandemic has certainly dealt a devastating blow to the tourism industry globally as well as locally, with the Sri Lankan sector experiencing its worst year in history. Given the severity of the situation, the coming financial year will be a struggle for the tourism industry and its allies along the value chain, with adaption being a necessary key to survival.

Government Contribution

It is with great appreciation that we acknowledge the contributions of the government in extending its support to the tourism industry, through timely intervention and loan moratorium extensions with the help of commercial banks in Sri Lanka. Innovative ideas like the travel "Bio Bubble" helped boost tourism in a small way providing some relief to the industry. While the third wave of COVID halted travel yet again, the "Bio Bubble" concept is one that will prove a useful tool once international tourism resumes.

It is my firm belief that the future looks bright for Sri Lankan tourism and that the recent restructuring of the Tourist Board will bring about much needed unification of the institute. By merging the Conventions Bureau, Promotions Bureau, Tourism Development Authority and Hotel Schools into one body under the purview of the new Chairperson, Sri Lankan tourism has been given the opportunity to grow in a positive direction and function cohesively.

Company Performance

The Citrus Waskaduwa posted revenue of Rs. 238 Mn for the financial year ended 31 March 2021, with the hotel recording massive drops in occupancy due to COVID-19 related incidents and travel restrictions.

Chairman's Review

Timely adaption has allowed us to sustain ourselves despite the challenges. These details are further discussed within the Annual Report.

The tourism advantages of an island nation have also been a disadvantage during the pandemic - Sri Lanka was severely impacted by travel bans and restrictions due to its geographic positioning. Unlike nations that share borders, we are a country that relies heavily on international tourism, as such, 60 – 70% of our business was affected and what occupancy we did have was largely thanks to local patrons.

With the halting of tourism to the country and the implementation of curfew and travel restrictions, the Citrus Group made adaptive decisions to initiate the hotel quarantine and intermediate care concepts. With the cooperation of the government under the strict regulation of the health authorities, Citrus Waskaduwa was the first to join the hotel quarantine initiative in May 2020 and continued operation in this capacity until February 2021. With the need for COVID care facilities rising, ICC operations resumed from March 2021 in collaboration with a Colombo - based private hospital and continues to date.

Addressing the Future

At this present stage, the situation for the industry is quite disturbing, although the government must be applauded for accelerating the vaccination drive. With the availability of sufficient stocks, the country is well on its way to vaccinating a significant percentage of the population with the possibility of up to 60-70 % being vaccinated within the coming months. The move to vaccinate en-masse is the

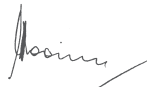
only viable solution and the government is well on the way to achieving their goals, particularly by concentrating on the over 60 age range who are more prone to complications due to existing medical conditions.

It is my prediction that within the coming months, not only Sri Lanka, but the world will start to look and feel a little more positive. By the end of the year and with the coming season, the global situation is expected to make a turn around and we should be able to look forward to some normalcy in the future.

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 to 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

31 August 2021
Colombo

CEO's Review

It is with great pride that I present this review of Waskaduwa Beach Resort PLC's operations during the financial year ended 31st March 2021. This year has been particularly challenging with the country and indeed the world, still reeling from the effects of the pandemic. This has had a substantial impact on performance across the board, however our resilience in managing these difficult times is truly a reflection of the collective efforts and perseverance of our team and the trust you, our stakeholders, have placed in your company.

The deep economic impact of the pandemic will certainly be a lingering one that will throw some challenges our way in the months to come. However I believe that unity in the face of hardship is one of our strongest virtues as a nation, and as we have done in the past, we will overcome these challenges together.

Performance Review

The Sri Lankan tourism industry experienced the worst year in its history due to COVID-19 related airport closures, travel restrictions and lockdowns. During the year under review, Citrus Waskaduwa was non-operational during the initial months, but was one of the first to restart operations under a new programme as a quarantine centre. With the blessings of the government, we are proud to have been the first hotel to offer our 5-star property as a facility for COVID-19 management. While the army that provided security and protection, our staff worked alongside the army medical teams to provide a safe, sterile and comfortable environment for the guests under our care. As the quarantine programme concluded, the Citrus Board made the

decision to continue offering the property to assist with COVID management. At the time of writing, Citrus Waskaduwa is functioning as an Intermediary Care Centre in collaboration with Kings Hospital in Colombo.

Forward Thinking

While the pandemic has raged on, the Company has taken measures to ensure the sustainability and performance of your company during the coming financial year. We are committed to continuing our work in this industry and firmly believe that Sri Lanka has a lot more potential to offer the international traveller thanks to factors like our biodiversity and strategic location – it is simply a matter of time before we are able to showcase the remarkable destinations of this island again.

Acknowledgments & Appreciation

I am deeply grateful to the Chairman and the Board for the support through tough decisions and for offering their guidance and wisdom through the difficult situations this year has challenged us with. I would also like to thank the government, non-government associations, all our stakeholders and our suppliers for respecting and believing in our brand to deliver on the promise of serving to the best of our capabilities.

Finally, I would like to give a special note of appreciation and gratitude to all the staff members at Citrus Waskaduwa. The commitment and support shown by each and every member of the Citrus family needs to be highlighted and applauded. Despite the tremendous health risks and challenging new operational procedures, the teams

CEO's Review

were able to learn new ways of doing things and new ways of looking after guests while providing the same standard of service our customers have come to expect from us. This level of perseverance isn't something that is found everywhere and is a testament to the power of teamwork and the possibilities of what we can achieve when we work together with dedication.



P C B Talwatte

Chief Executive Officer

31 August 2021

Colombo

Board of Directors

Mr. Prema Cooray

Mr. Prema Cooray, the immediate Past Chairman of Aitken Spence PLC counts well over 40 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 signalled 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.

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 Susantha Jayaweera is a Sri Lankan corporate leader with over three decades of experience building businesses that have grown to enjoy industry leadership.

He is the Group Chairman of George Steuart & Co., Sri Lanka's oldest mercantile establishment in which he took a controlling interest in 2011. He also sits on the Boards of Citrus Leisure PLC and Colombo Land and Development Company PLC, which are listed on the Colombo Stock Exchange.

He first rose to prominence in the advertising industry by co-founding Triad (Pvt) Ltd., in 1993. Triad is Sri Lanka's largest and most awarded communications entity today and is the single largest indigenous provider of brand building, advertising, and creative services through its extensive diversification into many related services.

Mr. Jayaweera is the Chairman of Powerhouse (Pvt) Ltd., the holding company of Derana, Sri Lanka's preeminent media offering with a wide presence across multiple platforms. He also established Liberty Publishers (Pvt) Limited, which is the publisher of three national broadsheets – "Aruna", "The Morning" and "Thamilan".

Mr. Jayaweera holds an LLB from the University of Colombo and an MBA from the University of Wales, and is an Attorney - at - Law.

Board of Directors

Ms. Varuni Fernando

Ms. Varuni Amunugama 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.

She is also a Director of George Steuart Group, which is the oldest corporate house and one of the largest conglomerates in Sri Lanka, diversified into almost every industry.

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.

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

Mr. Sarva Ameresekere

Qualified in both business and engineering, Sarva Ameresekere has extensive local and foreign exposure in diverse areas of business.

Mr. Ameresekere is the Group Executive Director of George Steuart & Company, Sri Lanka's oldest business entity established in 1835. He plays a pivotal role in the management and strategic planning of the Group's diversified sectors including healthcare, tea exports, FMCG, financial services, industrial solutions and travel & leisure. Accordingly, he holds several key positions within the group including directorships of all of its listed entities - Citrus Leisure PLC and its subsidiaries, Colombo Land and Development Company PLC, and HVA Foods PLC.

He also serves as the Director / CEO of Triad (Pvt) Ltd, one of Sri Lanka's leading creative communication companies. The Triad group integrates a cluster of specialised communications companies, which offer its clients an unmatched holistic and synchronized communication solution.

Mr. Ameresekere holds a Master's degree in Engineering Management from the University of Southern California, Los Angeles and a Bachelor's 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 Citrus Hikkaduwa Hotel. The family has diversified into trading in tea, packaging and warehousing through Corona T Stores Ltd. 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 boards 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.

Mr. Pilimalawwe 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 well over 20 years corporate experience.

Mr. Suresh de Mel

Mr. de Mel is an Entrepreneur and Agricultural Engineer, graduate of CalPoly State University, San Luis Obispo, California, USA.

He worked as an Agricultural & Environmental Engineer in the USA for 10-years, while learning the sport of Fly Fishing and experiencing the US market for hand tied Fishing Flies (artificial sport fishing bait used for fly fishing), before returning home in 1990. Lanka Fishing Flies (Pvt) Ltd., a pioneering export industry in Sri Lanka, was started by his father in 1981 as a cottage industry in their home to manufacture hand-tied, signature Fishing Flies for export. Today the Company employs 200 people in Nugedoda, Tangalla and Ratnapura, producing the world's highest quality fishing flies. He has been its Managing Director since 1991.

Mr. de Mel also owns and operates Sportfishing Lanka, a pioneering, professional sportfishing and Scuba diving tourism operation. He also leads EcoWave (Gte) Ltd., a social enterprise supporting 300 organic home gardens, EcoWave Natural Foods that operates a plant to process and package certified organic spices, herbs and traditional rice for export, and several SME start-ups in responsible tourism and sustainable agriculture.

He actively serves on the Council of the Employers Federation of Ceylon, the Director Boards of the Hambantota District Chamber of Commerce, and the Skills Development Fund Ltd. He is also the Acting Managing Director of The Global Entrepreneurship Network Sri Lanka and serves on several other Boards and Committees, local and global, for the development of Agriculture, Tourism, SME's, Entrepreneurship, Responsible Business Practices, and Business for Peace. He strongly believes in, and practices, the "People – Planet – Profit" model for business.

In December 2020, Mr. de Mel was appointed as the Chairman and Chief Executive of the Sri Lanka Export Development Board and currently serves on multiple Presidential Commissions and Task Forces related to economic development and exports in Sri Lanka.

Management Discussion and Analysis

Citrus Hotels & Resorts operates a chain of unique properties 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 beachfront that overlooks the Indian Ocean.

Global Economy

The world economy has been severely impacted by COVID-19 which has resulted in a global contraction. Advanced economies are expected to regrow by 5.4 percent in 2021, with substantial fiscal support and fast vaccination processes. Growth in emerging markets and developing economies are also projected to strengthen in 2021. China is expected to show strong recovery although oil exporters and tourism-based economies are expected to follow a slower recovery trajectory due to continued restrictions on cross border travel and a subdued outlook for oil prices.

Sri Lankan Economy

The Sri Lankan economy contracted by 3.6% in 2020 due to mobility restrictions and other containment measures imposed locally and internationally, with a view to preventing the spread of COVID-19. Reflecting the combined effect of the contraction in Gross Domestic Product (GDP) at current market prices and the depreciation of the Sri Lankan rupee against the US dollar, GDP per capita declined to US \$3,682 in 2020 from US \$3,852 in the previous year. The pandemic also caused a decline in the overall size of the economy to US \$80.7 billion in 2020 from US \$84.0 billion in 2019.

The exchange rate which depreciated by 2.6% in 2020 continued to record intermittent volatility in early 2021, depreciating 4.5% during the first 3

months of 2021 mainly due to excessive speculation. Meanwhile, the monetary easing measures taken by the CBSL to support the revival of the economy resulted in market interest rates declining sharply in 2020 and remaining in the single digit range going into 2021. Both headline and core inflation remained low, reflecting the subdued demand conditions in the country. Although 2021 commenced on an optimistic note with the vaccination drive getting off the ground, the current third wave of the pandemic and expected impact on the economy has put a dampener on the CBSL projected GDP growth of 6%.

Global Tourism

Global tourism was severely affected by COVID-19, dropping international arrivals by 74%. The closure of countries borders led to the collapse of the global tourism industry with international tourist arrivals declining sharply by 86%. According to the United Nations World Tourism Organisation (UNWTO) 27% of all destinations worldwide kept their borders completely closed for international tourism due to the COVID-19 global pandemic. Asia and the Pacific region were most impacted with a decline of 84% in tourist arrivals compared to a growth of 4% in 2019. The fall in international travel is estimated to cause a loss of US \$1.3 trillion in export revenues. However as per a survey carried out by UNWTO, full recovery to pre-pandemic levels is unlikely to happen before 2023.

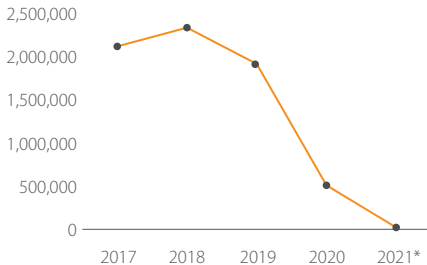
Tourism in Sri Lanka

The Sri Lanka tourism industry is the third biggest foreign exchange earner with a total earning of US \$4.4 billion in 2018 and US \$3.7 billion in 2019. The effects of the global COVID-19 pandemic crippled the sector in 2020, which is currently catering almost exclusively to local tourists and international arrivals under strict "travel bubble"

restrictions. Tourist arrivals in 2019 were recorded at 1,913,702 while 2020 was limited to 507,704 – showing the worst numbers in recent history (Please refer Graph 1.1).

In fact, major tourist destinations in Sri Lanka have been suffering due to the travel bans which were applied locally and internationally as a health measure. China, which contributed the second largest number of tourists till January 2020, will most likely not be part of the top 10 countries with the most tourist arrivals in Sri Lanka in 2021. Because of this situation the contribution of the tourism sector to Sri Lanka's economy declined sharply in 2020.

Tourist Arrivals to SL



Graph 1.1

*2021 arrivals up to July

The Government of Sri Lanka extended several relief measures to support the recovery of the tourism industry, by granting a debt moratorium and introducing Saubhagya COVID-19 Renaissance Working Capital Facility for many sectors including tourism. This initiative was a success in helping maintain the stability of the tourism industry.

In addition to this the Government approved the concept of Hotel Quarantine and Intermediate Care Centres for COVID patients under the strict

supervision of the health authorities. Most of the tourist hotels were converted into Quarantine Centres and Intermediate Care Centres in the financial year 2020-21 with the demand for such facilities rising with the number of COVID patients in Sri Lanka.

Stakeholder Relationships

Investors

Investors serve as the life blood of the Company 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 offerings and facilitate an enjoyable, memorable and secure experience.

Management Discussion and Analysis

Employees

Employees play a critical role in Citrus' performance and growth, especially during the year under review, during which the Company 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. Citrus is one of the few companies that has not curtailed any benefits given to its staff during the current pandemic situation.

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 industry organisations and associations, 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 systematised 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 Company maintains sound communication and reliable contracts, whilst regularly monitoring products and material.

Way Forward

While numerous factors made negative impact on the tourism industry, the Company still remains confident of its long-term prospects.

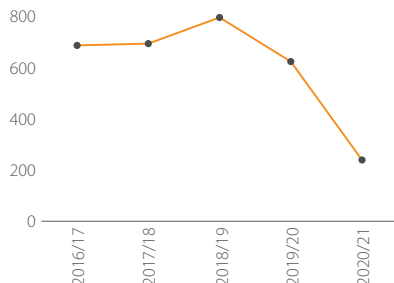
With the opening of the tourism industry by lifting border restrictions, the curtailment of COVID-19 spread through the global vaccination process, and the Bio bubble concept introduced by the Sri Lanka Tourism Development Authority (SLTDA), the company is confident of the revival of the tourism industry. The Company will continue to proactively monitor demand and is well positioned to capitalise on the medium-to-long term recovery of the country's tourism sector.

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.

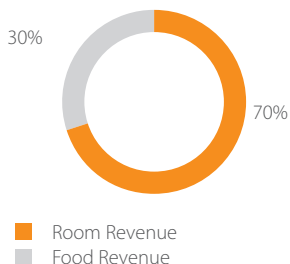
Financial Performance

Revenue

Rs. Mn.



Revenue Composition

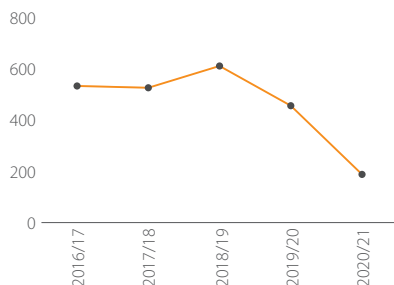


With the drastic impact of COVID-19 global pandemic, closure of the international airports in Sri Lanka, Islandwide lockdown and worldwide border restrictions led the management to convert the hotel to a quarantine centre with effect from May 2020 up to February 2021 until the hotel ceased its quarantine operation to commence Intermediate Care Centre (ICC) in collaboration with Kings Hospital Colombo. The hotel generated Rs. 237.5 Mn total revenue from above operations during the financial year (FY) 2020-21 compared to previous year recorded Rs. 623 Mn revenue.

The hotel occupancy dropped from 57% to 34% during the current FY with lower ARR compared to previous FY.

Gross Profit

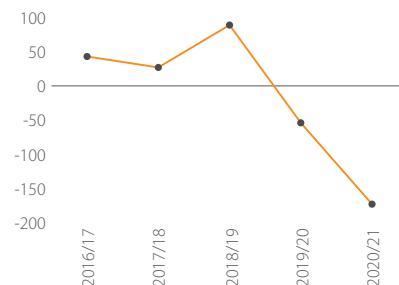
Rs. Mn.



Gross profit of the hotel for the year under review dropped by 59% compared to previous year mainly due to drop of revenue by 62% with the current global pandemic as explained above.

Operating Profit/(loss)

Rs. Mn.



The negative impact made on revenue during the year was directly affected the company's operating profit as most of the fixed cost remained unchanged.

Further the company implemented stringent cost controlling strategies to mitigate the negative impact on company's profitability. These measures resulted in 35% (Rs. 116 Mn) reduction in administrative and operating expenses (excluding depreciation and amortisation). Such measures enabled the company to limit its EBITDA losses to Rs. 27Mn.

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 2021

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 8 to 11.

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 128.

Auditors' Report

The Report of the Auditors on the Financial Statements of the company is given on pages 61 to 65.

Accounting Policies

The accounting policies adopted by the company in the preparation of financial statements are given on pages 70 to 92 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 5 to 7.

Executive Directors

Mr. D S Jayaweera

Ms. V S F Amunugama

Non-Executive Directors

Mr. S A Ameresekere

Mr. J M B Pilimalawwe

Independent Non-Executive Directors

Mr. E P A Cooray

Mr. R Seneviratne

Mr. S D de Mel

Recommendation for re-election of Director who retires by rotation

Mr. J M B Pilimalawwe 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.

Board of Directors and Relevant Interest in Shares

The Board consists of seven Directors, comprising of two Executive Directors and five Non-Executive Directors, of whom three are Independent.

Directors' interest in the shares of the company as at 31st March 2021 and 31st March 2020 were as follows:

Name of the Directors	As at 31.03.2021	As at 31.03.2020
Mr. E P A Cooray	Nil	Nil
Mr. D S Jayaweera	Nil	Nil
Ms. V S F Amunugama	Nil	Nil
Mr. R Seneviratne	Nil	Nil
Mr. J M B Pilimalawwe	Nil	Nil
Mr. S D De Mel	Nil	Nil
Mr. S A Amerasekera	Nil	Nil

Independence of Directors

Based on the declarations submitted by the Non-Executive Directors, the Board has determined that three (03) Non-Executive Directors, namely, Messrs E P A Cooray, R Seneviratne and S D De Mel are 'Independent' as per the criteria set out in the Listing Rules of the Colombo Stock Exchange.

Directors' Interests in Contracts or Proposed Contracts and Interest Register

The company maintains an Interest Register in terms of the Companies Act No. 07 of 2007, which is deemed to form part and parcel of this Annual Report and is available for inspection upon request.

Directors' Remuneration

The Directors' remuneration is disclosed under key management personnel compensation in Note 32.3.1 to the Financial Statements on page 123.

Corporate Governance

The Directors place a high degree of importance on sound corporate governance practices and are committed to the highest standards of corporate governance within the organisation.

The Directors confirm that, the company is in compliance with the Corporate Governance Rules contained in the Listing Rules of the Colombo Stock Exchange.

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

Delegation of Authority

The Board has delegated the authority of the day to day management of the company to Chief Executive Officer who is responsible for delivering services according to the policies and the budgets approved by the Board.

Delegation to Board Members

The Board has delegated certain functions and duties to Sub Committees that comprise of Board members. The functions and duties of each Sub Committee namely, the Audit Committee, the Remuneration Committee and the Related Party Transactions Review Committee are detailed in the respective reports.

The Board is also encouraged to seek independent professional advice, when necessary, at the company's expense and also have access to the company Secretary to obtain advice and services as and when necessary.

Appraisal of Board Performance

The Board is aware that appraising their own performance periodically would enhance the understanding of individual performance of

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

the Board as a whole. However, though there is no formal system in place, the Board members ensure that Board responsibilities are satisfactorily discharged.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the company, which reflect a true and fair view of the state of affairs.

The Directors are of the view that the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement and Notes to Financial Statements appearing on pages 66 to 128 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act, No.07 of 2007, Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995 and the amendments thereto and the Listing Rules of the Colombo Stock Exchange.

The Statement of Directors' Responsibility for Financial Reporting is given on pages 18 to 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 473,000 is payable by the company to Messrs Ernst & Young for the year under review comprising Rs 380,000 as audit fee and Rs 93,000 as taxation fee respectively.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 31st August 2021 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 2021 was Rs 2,901,702,750/- representing 559,857,096 ordinary shares (Rs.2,901,702,750/- representing 559,857,096 ordinary shares as at 31st March 2020).

Internal Controls

The Board through delegation to the Audit Committee ensures that the company maintains a sound system of Internal Controls to safeguard investments and company's assets. Therefore, the Audit Committee conducts a review of the effectiveness of the company's system of internal controls.

Major Transactions

The Board of Directors is required to act in accordance with Section 185 of the Companies Act No. 07 of 2007 with regard to 'major transactions' as per the said Section 185. There were no major transactions entered into by the company during the year.

Major Shareholders, Distribution Schedule and other information

Information on the distribution of shareholding, analysis of shareholders, market values per share, earnings per share, net assets per share, twenty largest shareholders of the company, percentage of shares held by the public as per the Listing Rules of the Colombo Stock Exchange are on pages 131 to 133 under Shareholders' Information.

Employment Policy

The company's employment policy is totally non-discriminatory which respects individuals and

provides career opportunities irrespective of the gender, race or religion.

As at 31st March 2021, 191 persons were in employment (297 persons as at 31st March 2020).

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

Statutory Payments

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

Reserves

The reserves of the company with the movements during the year are given in Statement of Changes in Equity 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 (1,377.98 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 100 to 105.

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 & policies are set out in Note 33 on pages 124 to 127.

Donations

Rs.3,695/- were made by the company as donation during the year under review.

Dividends

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

Audit Committee

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

The Audit Committee comprises of five (05) Non-Executive Directors of whom three (03) are Independent.

Mr. E P A Cooray	- Independent Non-Executive Director - Chairman of the Committee
Mr. R Seneviratne	- Independent Non-Executive Director - Member
Mr. S D De Mel	- Independent Non-Executive Director - Member
Mr. P V S Premawardhana	- Non-Independent Non-Executive Director - Member
Mr. S A Ameresekere	- Non-Independent Non-Executive Director - Member

The Report of the Audit Committee is given separately in the Annual Report detailing the functions and duties of the Committee and the specific objectives met in the financial year under review.

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

The Report of the Audit Committee appears on pages 52 to 54.

Remuneration Committee

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

The Remuneration Committee comprises of five (05) Non-Executive Directors of whom three (03) are Independent;

Mr. J M B Pilimalawwe	- Non-Independent Non-Executive Director - Chairman of the Committee
Mr. E P A Cooray	- Independent Non-Executive Director - Member
Mr. R Seneviratne	- Independent Non-Executive Director - Member
Mr. S D De Mel	- Independent Non-Executive Director - Member
Mr. S A Ameresekere	- Non-Independent Non-Executive Director - Member

The Report of the Remuneration Committee is given separately in the Annual Report detailing the functions and duties of the Committee and the specific objectives met in the financial year under review.

The Report of the Remuneration Committee appears on pages 55 to 56.

Related Party Transactions Review Committee

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 Related Party Transactions Review Committee comprises of four (04) Non-Executive Directors of whom two (02) are Independent and one (01) Executive Director;

Mr. E P A Cooray	- Independent Non-Executive Director - Chairman of the Committee
Mr. P C B Talwatte	- Executive Director - Member
Mr. P V S Premawardhana	- Non-Independent Non-Executive Director - Member
Mr. S D De Mel	- Independent Non-Executive Director - Member
Mr. S A Ameresekere	- Non-Independent Non-Executive Director - Member

The Report of the Related Party Transactions Review Committee is given separately in the Annual Report detailing the functions and duties of the Committee and the specific objectives met in the financial year under review.

The Report of the Related Party Transactions Review Committee appears on pages 57 to 58.

Declaration - Compliance with Rule 9 of the Listing Rules

The Directors declare that the company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year ended 31st March 2021.

Related Party Transactions/Disclosures during the year

Presented below are the recurrent and non-recurrent related party transactions which required additional disclosures in the 2020/21 Annual Report under Colombo Stock Exchange Listing Rule 9.3.2.

Non-Recurrent Related Party Transactions – Disclosure in terms of Rule 9.3.2(a) of the Listing Rules

There were no non-recurrent Related Party Transactions, where aggregate value of the non-recurrent Related Party Transactions exceeds 10% of the equity or 5% of the total assets whichever is lower of the company as per 31 March 2020 audited financial statements, which requires an additional disclosure in the 2020/21 Annual Report under Section 9.3.2(a) of the Listing Rules of the Colombo Stock Exchange.

Recurrent Related Party Transactions – Disclosure in terms of Rule 9.3.2(b) of the Listing Rules

There were no recurrent Related Party Transactions, where aggregate value of the recurrent Related Party Transactions exceeds 10% of the revenue of the company as per 31 March 2020 audited financial statements, which requires an additional disclosure in the 2020/21 Annual Report under Section 9.3.2(b) of the Listing Rules of the Colombo Stock Exchange.

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.

Events after the reporting date

No material events have occurred since the date of statement of financial position, which require adjustments to or disclosure in the financial statements.

Going Concern

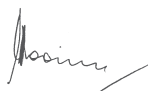
After making adequate enquiries from the management the directors are satisfied that the company has adequate resources to continue its operations in the foreseeable future.

Annual General Meeting

The Annual General Meeting of the Company will be held by electronic means on 27th September 2021 at 10.30 a.m. centred at the Registered Office of the Company at No. 56/1, Kynsey Road, Colombo 8.

The Notice of the Annual General Meeting is on page 134 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

31 August 2021
Colombo

Statement of Directors' Responsibility

The responsibilities of the Directors, in relation to the Financial Statements of the company differ from the responsibilities of the Auditors.

The responsibility of the Independent Auditors in relation to the Financial Statements is set out in the Report of the Auditors given on pages 61 to 65 of the Annual Report

As per the Sections 150(1), 151 and 152(1) and (2), of the Companies Act No. 07 of 2007, the Directors are required to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the company as at the end of the financial year and of the results of its operations for the financial year, ensure that they are completed within six months or such extended period as may be determined by the Registrar General of Companies, certified by the person responsible for the preparation of the Financial Statements that they are in compliance with the said Companies Act and dated and signed on behalf of the Board by two Directors of the company.

In terms of section 166(1) read together with sections 168(1)(b) and (c) and section 167(1) of the Companies Act, the Directors shall cause a copy of the aforesaid Financial Statements together with the Annual Report of the Board of Directors of the company prepared as per section 166(1) of the Companies Act to be sent to every shareholder not less than fifteen working days before the date fixed for holding the Annual General Meeting.

The Directors consider that in preparing these Financial Statements set out on pages 66 to 128, appropriate accounting policies have been selected and applied in a consistent manner and supported by reasonable and prudent judgment and that all applicable Accounting Standards, as relevant, have been followed.

The Directors are also confident that the company has adequate resources to continue in operation and have applied the going concern basis in preparing these Financial Statements.

Further, the Directors have a responsibility to ensure that the company maintains sufficient accounting records to disclose with reasonable accuracy, the financial position of the company.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the company and in this regard to give proper consideration to the establishment of appropriate internal control systems to prevent and detect fraud and other irregularities.

Financial Statements prepared and presented in this report have been prepared based on Sri Lanka Accounting Standards (SLFRS/LKAS) and are consistent with the underlying books of accounts and are in conformity with the requirements of Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange.

Compliance Report

The Directors are of the view, that they have discharged their responsibilities as set out in this statement.

The Directors also confirm that to the best of their knowledge, all statutory payments payable by the company as at the reporting date have been paid or where relevant provided for.

By Order of the Board of
Waskaduwa Beach Resort PLC



P W Corporate Secretarial (Pvt) Ltd

31 August 2021
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 endeavour to go beyond the legal requirement by implementing International best CG practices and stakeholder engagement, ensuring high standards of professionalism and ethics.

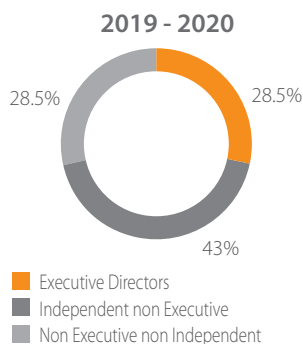
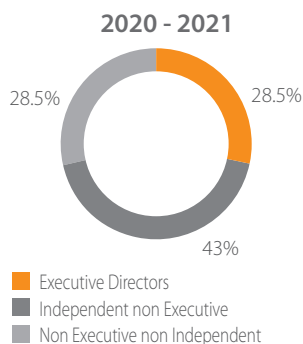
The Board provides strategic leadership and guidance and sets the tone to ensure that the development of the company is based on values. We believe that our values are the driving force across the company and are our guiding force for good governance.

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 whilst 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 2021.

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



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 confirms 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.

Corporate Governance

The Board of Directors further confirms that suitable accounting policies are consistently applied and supported by reasonable and prudent judgement and estimates, and have been applied in the preparation of the financial statements.

Compliance regarding Payments

The Board of Directors confirms 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 2020/21 is given below.

Name of Director	2020				2021	Meetings Attended	Percentage Attended
	03.07.2020	14.08.2020	16.11.2020	08.12.2020	15.02.2021		
Mr. E P A Cooray	√	√	√	√	√	5/5	100%
Mr. D S Jayaweera	√	√	-	-	√	3/5	60%
Mr. R Seneviratne	√	√	√	-	-	3/5	60%
Ms. V S F Amunugama	√	√	√	-	√	4/5	80%
Mr. J M B Pilimalawwe	√	√	√	√	√	5/5	100%
Mr. S D De Mel	√	√	√	√	√	5/5	100%
Mr. S A Ameresekere	√	√	√	√	√	5/5	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 Principle	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 Directors (NED/NID)

Corporate Governance

Corporate Governance Principle	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
Board Meetings	A.1.1		Compliant	<p>Five (5) 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 2020/21. 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 is 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 Principle	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
Board Responsibilities	A.1.2		Compliant	The Board of Directors of Waskaduwa Beach Resort PLC bears the responsibility for providing strategic direction, achieving objectives, responsible corporate behaviour, risk management, utilisation of resources responsibly, for ensuring leadership through effective oversight and review, whilst 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 behaviour. In performing its role, the Board is responsible for,

Corporate Governance

Corporate Governance Principle	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, whilst 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 possess 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. • Reviewing, monitoring and taking corrective action with regard to the achievement of the corporate strategies.

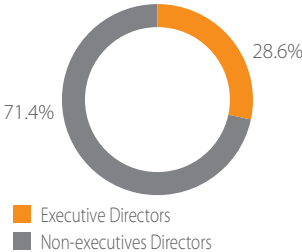
Corporate Governance Principle	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
				Key decisions are reserved for the Board's approval and are not delegated to management. These include matters relating to the company's strategy, approval of major acquisitions, disposals, capital 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.
Compliance with Laws and access to Professional Advice	A.1.3		Compliant	The Board acts in conformity with the laws of the country, and the Board and the Audit Committee table a compliance statement on statutory requirements on quarterly basis at the Board and Audit Committee meeting. 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.

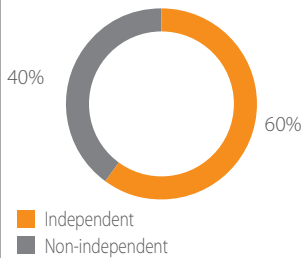
Corporate Governance

Corporate Governance Principle	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 judgement 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	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 and the secretary on the requisition of a Director shall, at any time summon a meeting of the Directors.

Corporate Governance Principle	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 a 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 Principle	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-executive Directors 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>  <p>71.4% 28.6%</p> <p>Executive Directors Non-executives Directors</p>
Non-executive Directors with sufficient calibre	A.5.1		Compliant	<p>The present composition of the Board is at a healthy balance between executive expediency and independent judgement. 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 Principle	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 of 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 orange color with 'Independent' and the grey color with '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 judgement. 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 2021 in accordance with section 07 of the CSE listing regulations on Corporate Governance. The biographical details of the Directors are set out on pages 5 - 7 of this report.</p>
Alternative Director	A.5.6		Not Applicable	<p>This principal is not applicable as an Alternate Director has not been appointed during the financial year 2020/21.</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 Principle	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 concerns arise.
Supply of Information	A.6		Compliant	The Board is provided with timely information on a regular basis as well as 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 Principle	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 and annual assessment of Board composition	A.7.1 & A.7.2		Compliant	<p>The Company does not have a separate committee for nomination.</p> <p>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.</p> <p>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.</p>
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; subsequent 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 Principle	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
Re-election	A.8		Compliant	One third of the Directors shall retire at each AGM and be eligible for the re-election.
Approval from shareholders for election and re-election of Directors	A.8.1 & A.8.2		Compliant	All Directors including the Chairman over the age of seventy years and the Directors retiring by rotation in terms of the Articles of Association of the Company, submit themselves to be re-elected at the AGM to be held on the 27th of September 2021 by the shareholders and the proposals for re-election are specified in Notice of Meeting section on page 134.
Resignation	A.8.3		Not Applicable	There has not been a resignation of a Director during the year 2020/21.
Appraisal of Board Performance	A.9		Compliant	Performance of the Board is evaluated from time to time and 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 Principle	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 5 - 7 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 Principle	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. Pilimatalawwe - (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> <div><p>40% 60%</p><p>■ Independent ■ Non-independent</p></div>

Corporate Governance Principle	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 proposals 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 Principle	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 123 under the note 32.3.1 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 the Board of Directors and exercise their votes at the 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.

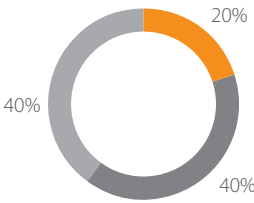
Corporate Governance Principle	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
Communication with Shareholders	C.2		Compliant	The Board has implemented effective communication with shareholders.
Communication with Shareholders	C.2.1 – C.2.7		Compliant	<p>P W Corporate Secretarial (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 - 58, and Note 32.2 of Notes to the Financial Statements.

Corporate Governance

Corporate Governance Principle	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 give a true and fair assessment of the Company's financial position, performance and prospects, in accordance with the Companies Act No. 07 of 2007, Sri Lanka Financial Reporting Standards (SLFRS)/Sri Lanka Accounting Standards (LKAS) and listing rules of the Colombo Stock Exchange.</p> <p>The Board is conscious of its responsibility to the Shareholders, the Government and the Society at large in which it operates and is unequivocally committed to upholding ethical behaviour in conducting its business. The Board, through the Company's administrative and finance divisions, strives to ensure that the businesses of the Company 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	The Board ensures that the Interim Financial Statements are submitted to the CSE as per listing requirements and other public reports submitted regulators present a balanced and understandable assessment of Company's performance.
Directors' responsibility for preparation and presentation of Financial Statements	D.1.3		Compliant	The Annual Report of the Directors as well as the Independent Auditors' Report declares the responsibility of the Board for the preparation and presentation of Financial Statements. The Financial Statements of the company were audited by Messrs. Ernst and Young, Chartered Accountants.

Corporate Governance Principle	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
Annual Report of the Directors	D.1.4		Compliant	<p>The Annual Report of the Board of Directors sets out that,</p> <ul style="list-style-type: none"> a. The Company is in 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 is meted 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	<p>The Audit Report on pages 61 - 65 contains a statement setting out that the Board is responsible for the preparation and presentation of Financial Statements and the Auditor's responsibility in expressing an opinion on true and fair view of the above Financial Statements.</p>
Management Discussion Analysis	D.1.6		Compliant	<p>The "Management Discussion Analysis" of this Annual Report contains, among other issues;</p> <ul style="list-style-type: none"> Industry Review (Pages 8-9) Stakeholder Relationships (Pages 9 -10) Financial Performance (Page 11) Prospects for the future (Page 10) Risk Management (Pages 59 - 60)

Corporate Governance

Corporate Governance Principle	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, an executive director and two non-executive Non Independent Director and , namely:</p> <p>Mr. E. P. A. Cooray - (NED / ID) - Chairman</p> <p>Mr. S. D. De Mel - (NED / ID)</p> <p>Mr. P. C. B. Talwatte - (ED)</p> <p>Mr. P. V. S. Premawardhana - (NED / NID)</p> <p>Mr. S. A. Ameresekere - (NED / NID)</p> <div><table><tr><td>Executive Directors</td><td>20%</td></tr><tr><td>Independent non Executive</td><td>40%</td></tr><tr><td>Non Executive non Independent</td><td>40%</td></tr></table></div>	Executive Directors	20%	Independent non Executive	40%	Non Executive non Independent	40%
Executive Directors	20%									
Independent non Executive	40%									
Non Executive non Independent	40%									


Corporate Governance Principle	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 58.</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. 32.2 to the Financial Statements.</p>

Corporate Governance

Corporate Governance Principle	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 the 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 the 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 59 to 60 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 Principle	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 the 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 pages 18 to 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.

Corporate Governance

Corporate Governance Principle	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details		
Composition and the Duties of the Audit Committee	D.3.1 & D.3.2	7.10.6(a) , 7.10.6(b) & 7.10.6(c)	Compliant	<p>The Audit Committee comprises exclusively of Non-executive Directors out of whom three are Independent Directors and two are Non independent Directors.</p> <p>The members of the Audit Committee are as follows:</p> <p>Mr. E P A Cooray - (NED / ID) - Chairman</p> <p>Mr. R Seneviratne - (NED / ID)</p> <p>Mr. S D De Mel - (NED / ID)</p> <p>Mr. P V S Premawardhana - (NED / NID)</p> <p>Mr. S A Ameresekere - (NED / (NID)</p> <div><table><tr><td>60%</td></tr><tr><td>40%</td></tr></table><p>Independent non Executive</p><p>Non Executive non Independent</p></div> <p>The Audit committee focuses principally on 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 - 54.</p> <p>The Audit Committee met five (5) times during the year.</p>	60%	40%
60%						
40%						

Corporate Governance Principle	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, an 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 57-58.
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 Principle	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
Corporate Governance Disclosure	D.6		Compliant	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 principles and provisions of the Code of Best Practice on Corporate Governance. 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.
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 Principle	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 utilised to enhance the efficiency and the effectiveness of the hotel operations and to enhance the guest experience. Further, the Board investigates 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 the 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 Principle	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 59 - 60 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

Principle	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.

Composition of the Committee

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

Mr. E P A Cooray	- Independent Non-Executive Director	- Chairman of the Committee
Mr. R Seneviratne	- Independent Non-Executive Director	- Member
Mr. S D De Mel	- Independent Non-Executive Director	- Member
Mr. P V S Premawardhana	- Non-Independent Non-Executive Director	- Member
Mr. S A Ameresekere	- Non-Independent Non-Executive Director	- Member

Meetings

The Committee met five times during the period under review. The attendance of the members of the Committee is stated in the table below.

Members' Attendance at the Audit Committee meetings from 01.04.2020 to 31.03.2021 is as follows;

Name of the Director	2020				2021
	03.07.2020	14.08.2020	16.11.2020	08.12.2020	15.02.2021
Mr. E P A Cooray (Chairman)	√	√	√	√	√
Mr. S D De Mel	√	√	√	√	√
Mr. P V S Premawardhana	√	√	√	√	√
Mr. S A Ameresekere	√	√	√	√	√
Mr. R Seneviratne	√	√	√	-	-

Messrs Ernst & Young, Independent Auditors are requested to be present as and when required.

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 2021.

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 judgements 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.

Audit Committee Report

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 2021/22.

Re-appointment of Auditors

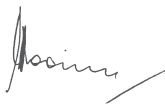
The Audit Committee, having considered the External Auditors' performance during their period in office, recommends their re-appointment for the financial year ending 31st March 2022, subject to the approval of the shareholders at the next Annual General Meeting. A full breakdown of the audit and non-audit related fees are set out in Note No 9 to the Financial Statements on page 94.

Conclusion

The Audit Committee is satisfied that the company's accounting policies and operational controls provide reasonable assurance that the affairs of the company are managed in accordance with the set rules and that systems are in place to minimize the impact of identifiable risks.

The Committee further assessed the future prospects of its business operations and is satisfied with the going concern assumption used in the preparation of the Financial Statements as being appropriate.

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



E P A Cooray
Chairman
Audit Committee

31 August 2021
Colombo

Remuneration Committee Report

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

Composition of the Committee

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

Mr. J M B Pilimatalawwe	-	Non-Independent Non-Executive Director	-	Chairman of the Committee
Mr. E P A Cooray	-	Independent Non-Executive Director	-	Member
Mr. R Seneviratne	-	Independent Non-Executive Director	-	Member
Mr. S D De Mel	-	Independent Non-Executive Director	-	Member
Mr. S A Ameresekere	-	Non-Independent Non-Executive Director	-	Member

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.

Members' Attendance at the Remuneration Committee Meetings from 01.04.2020 to 31.03.2021 is as follows;

Name of the Director	2020			2021
	03.07.2020	14.08.2020	16.11.2020	14.02.2021
Mr. J M B Pilimatalawwe (Chairman)	√	√	√	√
Mr. E P A Cooray	√	√	√	√
Mr. R Seneviratne	√	√	√	-
Mr. S D De Mel	√	√	√	√
Mr. S A Ameresekere	√	√	√	√

Remuneration 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 between 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.

Remuneration Committee Report

Scope

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

Fees

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

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 Pilimalawwe

Chairman
Remuneration Committee

31 August 2021
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.

Composition of the Committee

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 ;

Mr. E P A Cooray	- Independent Non-Executive Director	- Chairman of the Committee
Mr. P C B Talwatte	- Executive Director	- Member
Mr. P V S Premawardhana	- Non-Independent Non-Executive Director	- Member
Mr. S D De Mel	- Independent Non-Executive Director	- Member
Mr. S A Ameresekere	- Non-Independent Non-Executive Director	- Member

Meetings

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.

Members' Attendance at the Related Party Transactions Review Committee meetings from 01.04.2020 to 31.03.2021 is as follows;

Name of the Director	2020			2021
	03.07.2020	14.08.2020	16.11.2020	15.02.2021
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	√	√	√	√

The Company Secretary functions as the Secretary to the Related Party Transactions Review Committee.

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 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 are in accordance with Sri Lanka Accounting Standard 24

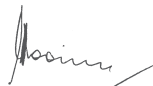
(LKAS 24) are disclosed under Note No. 32.2 to the Financial Statements.

Key Management Personnel

The Board 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

A Declaration by the Board of Directors as an affirmative statement of the compliance with the Listing Rules pertaining to related party transactions is given on pages 16 - 17 of the Annual Report.



E P A Cooray

Chairman

Related Party Transactions Review Committee

31 August 2021
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 the company operates in. Listed below are some of the risks and risk mitigation strategies used by Waskaduwa Beach Resort PLC:

Risk	Mitigation Strategies
1. Global Pandemic Outbreak COVID-19 has had a material detrimental impact on our business, financial results and liquidity.	<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 September 2021 easing cash-flow constraints. Defer non-essential capital expenditures The Board to monitor all possible cash flow positions and mitigating factors.
2. Safety at the Hotel Safety of our guests and staff at our hotel is our number one priority	<ul style="list-style-type: none"> Adhere to latest protocols on hygiene and cleaning at the hotel property Awareness training on COVID-19 for guests and staff. Comprehensive health & safety policy framework with implementation responsibility at multiple levels A strong safety culture at all hotels 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
3. Increasing competition Increased number of hotels leading to intense competition and lower margins	<ul style="list-style-type: none"> Brand development initiatives to enhance loyalty Differentiated offerings in our property Continued interest from tour operators despite lockdown

Risk Management

Risk	Mitigation Strategies
4. Retention of skilled talent pools High staff turnover in key segments such as travels and hotels	<ul style="list-style-type: none"> • Staff requested to work from home to minimise health risk. • Comprehensive talent management program to build talent pipelines including succession planning. • Updating Human Resources policies and practices cognisant to trends in the industry.
5. Interest Rate Risk Exposure to movements in market interest rates related to borrowings	<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.
6. Reputation Risk Social media has elevated this key risk for the hospitality industry as every guest and stakeholder is a potential influencer.	<ul style="list-style-type: none"> • 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.
7. Credit Risk Risk of loss arising from debtors' inability to meet their financial obligations on time	<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. • Regular follow-up on debtors.
8. Cyber Risk All significant processes are supported by one or many Internet driven services	<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
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Sri Lanka

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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 2021, 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 gives a true and fair view of the financial position of the Company as at 31 March 2021, and of its financial performance and its 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 judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Independent Auditors' Report

Key Audit Matters	How our audit addressed the key audit matters
<p>Assessment of impairment of Property, Plant and Equipment</p> <p>As at 31 March 2021, the Company's property, plant and equipment amounted to Rs. 4,258,969,347/- which represents 97% of the total assets of the Company</p> <p>The Company evaluates the carrying value of its property, plant, and equipment if indicators of impairment are present, such as operational losses and adverse macroeconomic conditions. The continued impact of COVID-19 pandemic on the operations of the Company, necessitated the management to carry out impairment assessment of related property, plant and equipment.</p> <p>The Company tested property, plant and equipment for impairment based on the recoverable amount determined using fair value less cost to sell and value in use computations (VIU) based on the discounted cash-flow models of each Cash Generating Unit (CGU).</p> <p>We selected management's assessment of the impairment of property, plant and equipment as a key audit matter due to;</p> <ul style="list-style-type: none"> - the degree of assumptions, judgements and estimation uncertainties associated with fair value less cost to sell of land and buildings including the impacts of COVID-19. Such fair value less cost to sell calculation contains higher estimation uncertainties as there were fewer market transactions, which are ordinarily a strong source of evidence regarding fair value; 	<p>Our audit procedures included the following;</p> <ol style="list-style-type: none"> Obtained an understanding of the Company's process for impairment assessment. In relation to fair value less cost to sell we have, <ul style="list-style-type: none"> assessed the competency, capability and objectivity of the valuer engaged by the Company. read the external valuer's report and understood key judgements and estimates made as well as the approach taken by the valuer in determining fair values. engaged our internal specialized resources to assist us in assessing the appropriateness of valuation techniques applied and reasonableness of the significant judgements and assumptions (including probable effects of COVID – 19 pandemic). In relation to VIU computations we have, <ul style="list-style-type: none"> checked the calculations of the future discounted cash flows and traced the data to underlying accounting records, to evaluate their reasonableness. engaged our internal specialized resources to assist us in: <ul style="list-style-type: none"> assessing the reasonableness of significant assumptions used such as expected period of time for recovery, growth rates and discount rates. This included comparing assumptions used with available industry data, and;

<ul style="list-style-type: none"> - the degree of underlying assumptions coupled with inherent estimation uncertainties that arise when deriving the estimated future cashflows used for value in use calculations. <p>Key areas of significant judgments, estimates and assumptions included the following;</p> <ul style="list-style-type: none"> - estimate of per perch value and of the land and per square foot value of buildings. - key inputs and assumptions related to the value in use computations of future cash flows, growth rates and discount rates including the potential impacts of the prevailing COVID-19 pandemic. 	<ul style="list-style-type: none"> - evaluating the sensitivity of the projected cashflows considering possible changes in key assumptions. <p>We also assessed the adequacy of the disclosures made in Note no 14 in the financial statements.</p>
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Other information included in the 2021 Annual Report of the company

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 for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management 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.

Independent Auditors' Report

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 judgment and maintain professional scepticism throughout the audit. We also:

1. 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.
2. 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 controls.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. 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.
5. 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 ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other

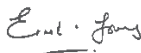
matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

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

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



31 August 2021

Colombo

Partners: H M A Jayasinghe FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA W R H De Silva ACA ACMA Ms. Y A De Silva FCA Ms. K R M Fernando FCA ACMA
N Y R L Fernando ACA W K B S P Fernando FCA FCMA Ms. L K H L Fonseka FCA D N Gamage ACA ACMA A P A Gunasokera FCA FCMA A Herath FCA
D K Hulangamuwa FCA FCMA LLB (Lond) Ms. A A Ludowyke FCA FCMA Ms. G G S Manalunga FCA A A J R Perera ACA ACMA Ms. P V R N Sajeevan FCA
N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

Principals: G B Goudian ACMA Ms. P S Paranawilane ACMA LLB (Colombo) T P M Ruberu FCMA FCCA C A Yalagala ACMA

A member firm of Ernst & Young Global Limited

Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 March	Note	2021 Rs.	2020 Rs.
Revenue from contracts with customers	6	238,607,096	623,280,635
Cost of sales		(50,576,044)	(167,552,229)
Gross profit		188,031,052	455,728,406
Other income and gains	7	394,232	7,964,076
Administrative expenses		(222,326,868)	(289,417,403)
Operating expenses		(137,544,924)	(211,208,507)
Selling and marketing expenses		(1,955,908)	(17,886,006)
Operating loss		(173,402,417)	(54,819,434)
Finance expenses	8.2	(166,999,035)	(202,270,977)
Finance income	8.1	6,436,515	5,052,712
Loss before tax	9	(333,964,937)	(252,037,699)
Tax expense	10	(1,261,477)	(457,166)
Loss for the year		(335,226,414)	(252,494,865)
Other comprehensive income/(loss)			
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods			
Revaluation gain on land & building	14.1	377,609,219	-
Deferred tax effect on revaluation of land and building	10.2.3	(52,865,291)	-
Actuarial gain / (loss) on defined benefit plan	26.1	(379,044)	(1,184,366)
Income tax effect on actuarial gain / (loss)	10.2.3	53,066	165,811
Other comprehensive income/(loss) for the year, net of tax		324,417,950	(1,018,555)
Total comprehensive loss for the year, net of tax		(10,808,464)	(253,513,420)
Basic/diluted loss per share	11	(0.60)	(0.50)

Figures in brackets indicate deductions.

The accounting policies and notes on pages 70 through 128 form an integral part of these financial statements.

Statement of Financial Position

As at 31 March	Note	2021 Rs.	2020 Rs.
ASSETS			
Non-current assets			
Property, plant and equipment	14	4,258,969,347	4,021,818,408
Right of use assets	15	-	2,098,425
Other receivables - related parties	18	52,361,295	66,994,952
Intangible assets	16	866,592	1,471,148
		4,312,197,234	4,092,382,933
Current assets			
Inventories	17	13,527,663	15,680,284
Trade and other receivables	18	15,733,759	60,506,247
Advances and prepayments	19	14,151,641	12,960,648
Tax receivable	20	6,213,737	7,758,501
Cash and cash equivalents	21	24,465,548	24,727,424
		74,092,348	121,633,104
Total assets		4,386,289,582	4,214,016,037
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	22	2,901,702,750	2,901,702,750
Revaluation reserve	23	1,068,531,931	743,788,003
Accumulated losses		(1,846,835,279)	(1,511,282,887)
Total equity		2,123,399,402	2,134,207,866
Non-current liabilities			
Interest bearing loans and borrowings	24	1,601,353,213	1,564,361,149
Deferred tax liability	10.2	172,994,028	120,465,090
Retirement benefit obligation	26	9,610,163	7,106,443
		1,783,957,404	1,691,932,682
Current liabilities			
Trade and other payables	27	255,164,179	204,218,719
Interest bearing loans and borrowings	24	220,209,513	156,855,689
Lease liabilities	25	-	2,337,252
Contract liability	28	3,559,084	24,463,829
		478,932,776	387,875,489
Total equity and liabilities		4,386,289,582	4,214,016,037

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 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 128 form an integral part of these financial statements.

31 August 2021

Colombo

Statement of Changes in Equity

	Stated Capital Rs.	Revaluation Reserves Rs.	Accumulated Losses Rs.	Total Rs.
Balance as at 01 April 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)	(253,513,420)
Balance as at 31 March 2020	2,901,702,750	743,788,003	(1,511,282,887)	2,134,207,866
Loss for the year	-	-	(335,226,414)	(335,226,414)
Other comprehensive income	-	324,743,928	(325,978)	324,417,950
Total comprehensive income/(loss)	-	324,743,928	(335,552,392)	(10,808,464)
Balance as at 31 March 2021	2,901,702,750	1,068,531,931	(1,846,835,279)	2,123,399,402

The accounting policies and notes on pages 70 through 128 form an integral part of these financial statements.

Cash Flow Statement

Year ended 31 March	Note	2021 Rs.	2020 Rs.
Cash flows from / (used in) operating activities			
Net loss before income tax expenses		(333,964,937)	(252,037,699)
Adjustments for :			
Depreciation	14.2	143,730,213	166,068,514
Amortisation of right of use assets	15	2,098,425	4,308,717
Amortisation of intangible assets	16	604,556	295,895
Provision for retirement benefit obligation	26.1	2,652,412	2,100,238
Write off of tax receivables & others		-	5,839,251
Impairment of trade receivables		2,267,255	311,824
Gain on disposal of property, plant and equipment	7	(308,093)	(2,997,438)
Finance income	8.1	(6,436,515)	(5,052,712)
Finance cost	8.2	166,999,035	202,270,977
Operating profit/(loss) before working capital changes		(22,357,649)	121,107,567
Decrease in trade and other receivables		47,856,994	41,167,062
Decrease in inventories		2,152,622	525,095
Decrease/(increase) in other non financial assets		(1,190,993)	377,387
Decrease in trade and other payables		(32,342,936)	(40,918,890)
Decrease in contract liability		(20,904,745)	(4,029,062)
Cash generated from / (used in) operations		(26,786,707)	118,229,160
Retirement benefit obligation paid	26	(527,736)	(498,650)
Tax payment		-	(2,768,795)
Finance cost paid		(8,328,111)	(10,931,011)
Net cash from/(used in) operating activities		(35,642,554)	104,030,704
Cash flows used in investing activities			
Acquisition of property, plant and equipment	14.4	(2,123,643)	(18,486,619)
Proceeds from disposal of property, plant and equipment		308,093	3,292,699
Acquisition of intangible asset	16	-	(1,083,091)
Financed to related party		-	(61,174,930)
Finance income received		1,084,753	1,813,130
Net cash flows used in investing activities		(730,797)	(75,638,811)
Cash flows from/(used in) financing activities			
Proceeds from interest bearing loans & borrowings		24,800,000	-
Repayment of interest bearing loans and borrowings	24.1	-	(1,500,000)
Cash proceeds from share issue		-	50,033
Net financed from related parties		14,672,427	(24,194,320)
Principal payment under finance lease liabilities		(2,337,252)	(3,160,802)
Net cash from/(used in) financing activities		37,135,175	(28,805,089)
Net increase / (decrease) in cash and cash equivalents		761,824	(413,195)
Cash and cash equivalents at the beginning of the year		(132,128,265)	(131,715,070)
Cash and cash equivalents at the end of the year (Note A)		(131,366,441)	(132,128,265)
Note A			
Analysis of cash and cash equivalents			
Cash in hand and cash at bank	21	2,476,743	3,916,094
Short term deposits with original maturity less than three months	21	21,988,805	20,811,330
Bank overdrafts	24	(155,831,989)	(156,855,689)
Total cash and cash equivalents		(131,366,441)	(132,128,265)

The accounting policies and notes on pages 70 through 128 form an integral part of these financial statements.

Notes to the Financial Statements

Year ended 31 March 2021

1. CORPORATE INFORMATION

Waskaduwa Beach Resort PLC ("Company") is a Public Limited Liability Company incorporated and domiciled in Sri Lanka and whose shares are listed on Colombo Stock Exchange and publicly traded.

The registered office of the Company is located at No. 56/1, Kynsey Road, Colombo 8, and the principal place of business is situated at No. 427, Samantara Road, Kudawaskaduwa, Waskaduwa.

1.1 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.

1.2 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).

1.3 Date of Authorisation for Issue

The Financial Statements of Waskaduwa Beach Resort PLC for the year ended 31 March 2021 were authorized for issue in accordance with the resolution of the Board of Directors on 31 August 2021.

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 changes in equity and the statement of cash flows, together with the accounting policies and notes (the "financial statements") have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirement of the Companies Act No. 7 of 2007.

The 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.) and values are rounded to the nearest whole number value, except when otherwise indicated.

Comparative Information

The presentation and classification of the Financial Statements of the previous year has been amended, where relevant for better presentation and to be comparable with those of the current year.

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

a) Going Concern

The Company operate in the tourist sector that has been significantly affected by the outbreak of COVID – 19. With the spread of the virus on a global scale in mid-March 2020 and rightly the stringent measures taken by the Government including the closure of airports and lock downs, have compelled the temporary closure of 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.

In determining the basis of preparing the financial statements for the year ended 31 March 2021, 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 2021, 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) Status of the operations and subsequent Initiatives

Waskaduwa Beach resort PLC entered into an Agreement with Kings Hospital Colombo (Private) Limited (Kings Hospital Colombo) on 3rd March 2021, to operate an Intermediary Care Centre at the Company's Resort at Waskaduwa to provide accommodation and medical care for asymptomatic and mild symptomatic Covid-19 patients in line with the approval granted by the Director General of Health Services, according to the Ministry of Health's admission protocols. The Intermediary Care Centre is operating as a joint collaboration between the Company and Kings Hospital Colombo. In view of the new arrangement, the Company has discontinued its Quarantine Operations with effect from 3rd March 2021.

In arriving at its decisions to collaborate with Kings Hospital Colombo to operate an Intermediary Care Centres as aforesaid, the Board considered all attendant circumstances such as restrictions in revenue generation in travel and tourism industries resulting from the Covid-19 Pandemic world over, the need to maintain and up-keep the Company's resort at Waskaduwa, which

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involves heavy expenditure, the financial evaluation of operating a Quarantine Centre vis-à-vis an Intermediary Care Centre, and also the Company's duty as a responsible corporate citizen, to provide its fullest cooperation to facilitate the exigencies that have arisen due to the Pandemic situation in the country whilst making every endeavour to facilitate at least a modest revenue generation in the interests of all stakeholders during this difficult period of time.

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.

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.

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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 the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the Statement of Profit or Loss.

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

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

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

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

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

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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:

- where the sales tax incurred on a purchase of an 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; and
- receivables and payables that 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 the 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 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.

Lands are measured at fair value less accumulated impairment losses recognized after the date of revaluation. Buildings are measured at fair value less accumulated depreciation and accumulated impairment losses recognised after the date of revaluation. Revaluation of land and buildings are done with sufficient frequency to ensure that the fair value of the land does not differ materially from its carrying amount, and it 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	6-40 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
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

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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 the 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.

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

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flows that are solely payments of principal and interest on the principal amount outstanding

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

The 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.

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

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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 and interest bearing loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification 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.

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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 Maintenance 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.

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 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 postemployment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognised as an employee benefit expense in Statement of Profit or Loss in the periods during which services are rendered by employees. The 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

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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

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) 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.

ii) **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 for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020.

Amendments to IFRS 16 COVID-19 Related Rent Concessions

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from

the COVID-19 related rent concession the same way it would account for the change under SLFRS 16, if the change were not a lease modification. The company has applied practical expedient for COVID-19 related rent concessions.

Amendments to LKAS 1 and LKAS 8: Definition of Material

The amendments provide a new definition of material that states, "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 clarify that materiality will depend on the nature or magnitude of information either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the company.

Amendments to references to the conceptual framework in SLFRS standards

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to

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assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the company.

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 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace IFRS 4 Insurance Contracts (SLFRS 4). SLFRS 17 applies to all types of insurance contracts (i.e., life, nonlife, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The amendments are effective for reporting periods beginning on or after 1 January 2023, with early application permitted. Pending the completion of detail review of the above amendment the extent of the probable impact is not reasonably estimable.

Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 – Interest Rate Benchmark Reform (Phase 1 & 2)

The amendments to SLFRS 9 & LKAS 39 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. IBOR reforms Phase 2 include number of reliefs and additional disclosures. Amendments supports companies in applying SLFRS when changes are made to contractual cashflows or hedging relationships because of the reform. These amendments to various standards are effective for the annual reporting periods beginning on or after 01 January 2021. Pending the completion of detail review of the above amendment the extent of the probable impact is not reasonably estimable.

Amendments to SLFRS 3

The amendments update SLFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to SLFRS 3 a requirement that, for obligations within the scope of LKAS 37, an acquirer applies LKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that

an acquirer does not recognise contingent assets acquired in a business combination. The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to LKAS 16

In March 2021, the ICASL adopted amendments to LKAS16-Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. Pending the completion of detail review of the above amendment the extent of the probable impact is not reasonably estimable.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to LKAS 37

In March 2021, the ICASL adopted amendments to LKAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Amendments to LKAS 1: Classification of Liabilities as Current or Non-current

In March 2021, ICASL adopted amendments to paragraphs 69 to 76 of LKAS 1 which specify the requirements for classifying liabilities as current or noncurrent. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right

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- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively. Pending the completion of detail review of the above amendment the extent of the probable impact is not reasonably estimable.

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 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 86% of above receivables are due from well-established local and foreign travel agents and companies.

Recoverability of 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. The assessment includes

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Year ended 31 March 2021

the existing and anticipated effects of the COVID-19 pandemic on the significant assumptions that are sensitive or susceptible to change or are inconsistent with historical trends. As the economic effects of COVID-19 continue to evolve, management considered a range of scenarios to determine the potential impact on underlying performance and future funding requirements. 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 14.9.

Notes to the Financial Statements

Year ended 31 March

6. REVENUE FROM CONTRACTS WITH CUSTOMERS

6.1 Revenue

	2021 Rs.	2020 Rs.
Hotel income (Note 6.1.1)	238,607,096	623,280,635
	238,607,096	623,280,635

6.1.1 Segmentation of the revenue

	2021 Rs.	2020 Rs.
Rooms revenue	167,335,799	323,066,095
Food revenue	70,658,112	138,313,523
Beverage revenue	418,122	25,105,936
Banquet revenue	195,063	134,488,720
Laundry revenue	-	210,074
Spa revenue	-	2,096,287
	238,607,096	623,280,635

7. OTHER INCOME AND GAINS

	2021 Rs.	2020 Rs.
Telephone income	2,686	561
Gift shop sales	-	2,489,369
Gain on sale of property, plant, and equipment	308,093	2,997,438
Gain on currency exchange	5,767	708,420
Other revenue	77,686	1,768,288
	394,232	7,964,076

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Year ended 31 March

8. FINANCE COSTS AND INCOME

8.1 Finance Income

	2021 Rs.	2020 Rs.
Interest income on fixed deposits and savings accounts	1,126,182	1,813,130
Interest on related party receivables	5,310,333	3,239,582
	6,436,515	5,052,712

8.2 Finance Expenses

	2021 Rs.	2020 Rs.
Interest expense on bank overdrafts	14,871,120	21,553,495
Interest expense on bank loans	151,576,353	170,530,387
Interest on related party payables	-	9,319,069
Mortgage fee	500,000	501,370
Interest expenses on lease liabilities	51,562	366,656
	166,999,035	202,270,977

9. LOSS BEFORE TAX

	2021 Rs.	2020 Rs.
Loss before tax is stated after charging all the expenses including following;		
Costs of defined employee benefits		
- Salaries and wages	74,798,508	89,757,206
- Defined benefit plan costs - gratuity	2,652,410	2,100,238
- Defined contribution plan costs - EPF and ETF	11,220,625	13,479,177
Depreciation	143,730,213	166,068,514
Amortisation of intangible assets	604,556	295,895
Amortisation of right of use assets	2,098,425	4,308,717
Impairment of trade receivables	2,267,255	311,824
Donations	3,695	24,158
Business Promotions & Advertising cost	2,422,886	9,002,947
Auditors' remuneration		
- Statutory audit fee	380,000	380,000
- Internal audit fee	-	327,000
- Taxation fee	93,000	93,000

10. TAX EXPENSE

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

	2021 Rs.	2020 Rs.
Current income tax		
Current income tax charge on other sources of income (Note 10.1)	1,544,764	303,163
	1,544,764	303,163
Deferred tax expenses		
Deferred tax expenses /(reversal) (Note 10.2.2)	(283,287)	154,003
Income tax expense reported in the statement of profit or loss	1,261,477	457,166

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

	2021 Rs.	2020 Rs.
Accounting loss before income tax	(333,964,937)	(252,037,699)
Disallowed expenses	152,020,641	186,792,219
Deductible expenses	(276,520,656)	(288,989,695)
Business loss (Note 10.1.2)	(458,464,952)	(354,235,175)
Other sources of income		
Interest income	6,436,515	5,052,712
Total statutory income	6,436,515	5,052,712
Tax losses deducted against other sources of income	-	(3,789,534)
Total taxable income	6,436,515	1,263,178
Income tax on other sources of income at 24%	1,544,764	303,163

Notes to the Financial Statements

Year ended 31 March

10. TAX EXPENSE (Contd.)

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% (2019/20 : 24%)

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

10.1.3 In determining the arm's length price, the company has complied with the transfer pricing regulations prescribed in the Inland Revenue Act and amendment thereto and the Gazette notifications issued on transfer pricing.

10.2 Deferred tax liability

10.2.1 Statement of financial position

	2021 Rs.	2020 Rs.
At the beginning of the year	120,465,090	120,476,898
Recognised in profit or loss	(283,287)	154,003
Recognised in other comprehensive income	52,812,225	(165,811)
At the end of the year	172,994,028	120,465,090
Net deferred tax liability relate to the following;		
Defined benefit obligation	(1,345,424)	(994,903)
Capital allowances for tax purpose	392,393	378,225
Revaluation of land and building	173,947,059	121,081,768
Net deferred tax liability	172,994,028	120,465,090

10.2.2 Statement of profit or loss

	2021 Rs.	2020 Rs.
Deferred tax expense/ (reversal) arising from		
- Capital allowances for tax purpose	14,168	378,225
- Defined benefit obligation	(297,455)	(224,222)
Total deferred tax expense/ (reversal) for the year	(283,287)	154,003

10.2.3 Statement of other comprehensive income

	2021 Rs.	2020 Rs.
Deferred tax expense/ (reversal) arising from		
- Defined benefit obligation	(53,066)	(165,811)
- Revaluation of land/ building	52,865,291	-
Total deferred tax expense/(reversal) for the year	52,812,225	(165,811)

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 loss per share computation.

	2021 Rs.	2020 Rs.
Amount used as the numerator:		
Net loss for the year	(335,226,414)	(252,494,865)
Number of ordinary shares used as denominator:		
Weighted average number of ordinary shares in issue applicable to basic loss per share	559,857,096	508,838,659
Basic/diluted loss per share (Rs.)	(0.60)	(0.50)

Notes to the Financial Statements

Year ended 31 March

12. FINANCIAL INSTRUMENTS

12.1 Financial assets and liabilities by categories

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

As at 31 March	2021		2020	
	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	-	68,095,054	-	127,501,198
Short term bank deposit	-	21,988,805	-	20,811,330
	-	90,083,859	-	148,312,528

As at 31 March	2021		2020	
	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	-	1,821,562,726	-	1,721,216,838
Lease liabilities	-	-	-	2,337,252
Trade and other payables	-	255,164,179	-	204,218,719
	-	2,076,726,904	-	1,927,772,809

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.

13. FAIR VALUE MEASUREMENT

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

As at 31 March	2021					
	Fair Value Measurement Using					Total Fair Value
	Note	Date of valuation	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	
Assets measured at fair value			Rs.	Rs.	Rs.	Rs.
Non-financial assets						
Property, plant & equipment						
- Freehold land	14	31 March 2021	-	-	1,102,384,000	1,102,384,000
- Buildings	14	31 March 2021	-	-	2,897,996,115	2,897,996,115
			-	-	4,000,380,115	4,000,380,115
As at 31 March	2020					
	Fair Value Measurement Using					Total Fair Value
	Note	Date of valuation	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	
Assets measured at fair value			Rs.	Rs.	Rs.	Rs.
Non-financial assets						
Property, plant & equipment						
- Freehold land	14	31 March 2018	-	-	984,937,500	984,937,500
- Buildings	14	31 March 2018	-	-	2,709,934,295	2,709,934,295
			-	-	3,694,871,795	3,694,871,795

Notes to the Financial Statements

Year ended 31 March

14. PROPERTY, PLANT AND EQUIPMENT

14.1 Gross carrying amounts

	Balance as at 01.04.2020 Rs.	Additions Rs.	Disposals / Transfers on Revaluation Rs.	Revaluation Rs.	Balance as at 31.03.2021 Rs.
At Cost or valuation					
Freehold land	984,937,500	-	-	117,446,500	1,102,384,000
Buildings	2,882,295,325	506,000	(244,967,928)	260,162,719	2,897,996,115
Motor vehicle	1,150,766	-	-	-	1,150,766
Computer and hardware	19,931,995	279,900	(2073,087)	-	18,138,808
Machinery and other equipment	131,504,597	-	-	-	131,504,597
Electrical fittings and equipment	77,063,421	188,934	-	-	77,252,355
Kitchen, bar utensils and other equipment	126,914,304	-	-	-	126,914,304
Entertainment and security equipment	56,110,280	1,967,871	-	-	58,078,151
Air condition systems	183,781,638	-	-	-	183,781,638
Furniture and fittings	194,073,472	368,000	(14,500)	-	194,426,972
Furnishing and linen	64,315,200	-	(6,764,078)	-	57,551,122
Cutlery crockery and glassware	9,243,881	-	(376,646)	-	8,867,235
Generator and transformers	38,278,199	-	-	-	38,278,199
	4,769,600,578	3,310,705	(254,196,239)	377,609,219	4,896,324,263

In the course of construction

	Balance as at 01.04.2020 Rs.	Incurred during the year Rs.	Transferred during the year Rs.	Revaluation Rs.	Balance as at 31.03.2021 Rs.
Capital work in progress					
Entertainment and Security Equipment	-	1,187,062	(1,187,062)	-	-
	-	1,187,062	(1,187,062)	-	-
Total gross carrying amount	4,769,600,578	4,497,767	(255,383,301)	377,609,219	4,896,324,263

14.2 Depreciation

	Balance as at 01.04.2020 Rs.	Charge for the Year Rs.	Disposals Rs.	Transfer on Revaluation Rs.	Balance as at 31.03.2021 Rs.
At Cost or valuation					
Buildings	172,361,030	72,606,898	-	(244,967,928)	-
Motor vehicle	1,150,766	-	-	-	1,150,766
Computer and hardware	18,475,496	808,209	(2,073,087)	-	17,210,619
Machinery and other equipment	74,065,391	13,079,256	-	-	87,144,647
Electrical fittings and equipment	43,392,998	7,731,673	-	-	51,124,670
Kitchen, bar utensils and other equipment	71,161,938	12,691,430	-	-	83,853,368
Entertainment and security equipment	46,228,659	3,018,986	-	-	49,247,645
Air condition systems	68,664,827	12,252,109	-	-	80,916,936
Furniture and fittings	175,974,396	12,907,091	(722)	-	188,880,765
Furnishing and linen	55,809,035	4,307,520	(6,739,085)	-	53,377,470
Cutlery crockery and glassware	5,831,846	1,775,161	(376,646)	-	7,230,361
Generator and transformers	14,665,789	2,551,880	-	-	17,217,669
Total depreciation	747,782,171	143,730,213	(9,189,540)	(244,967,928)	637,354,916

Notes to the Financial Statements

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14. PROPERTY, PLANT AND EQUIPMENT (Contd.)

14.3 Net book values

	2021 Rs.	2020 Rs.
At Cost or Valuation		
Freehold land	1,102,384,000	984,937,500
Buildings	2,897,996,115	2,709,934,295
Computer and hardware	928,190	1,456,499
Machinery and other equipment	44,359,950	57,439,206
Electrical fittings and equipment	26,127,684	33,670,423
Kitchen, bar utensils and other equipment	43,060,936	55,752,366
Entertainment and security equipment	8,830,506	9,881,621
Air condition systems	102,864,702	115,116,811
Furniture and fittings	5,546,207	18,099,076
Furnishing and linen	4,173,652	8,506,165
Cutlery crockery and glassware	1,636,874	3,412,035
Generator and transformers	21,060,531	23,612,411
Total carrying amount of property, plant & equipment	4,258,969,347	4,021,818,408

- 14.4** During the Financial year, the company acquired Property, plant & equipment to an aggregate value of Rs.3,310,705/- (2020 - Rs.21,396,035/-) . Cash payments amounting to Rs.2,123,643/- (2020 - Rs.18,486,619/-) 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.343,740,830/- (2020 -Rs.113,943,858/-)
- 14.6** The land and buildings belonging to Waskaduwa Beach Resorts PLC, situated at No. 427, Samanthara Road, Kudawaskaduwa, Kaluthara were revalued by Mr. T. M. H. Mutaliph - D. I. V - F.P (CTC - Sri Lanka), Chartered Valuer as at 31 March 2021. The results of such revaluation were incorporated in these financial statements from its effective date which is 31 March 2021. Such assets were valued based on market based evidence and depreciated replacement cost method. The surplus arising from the revaluation was transferred to the revaluation reserve.

14.7 Valuation technique, inputs and relationship with fair value

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

Valuation date 31 March 2021

Location	Extent Perch	Valuation Date	Valuation technique	Significant unobservable input : price per perch/ acre/range	Fair Value measurement using Significant unobservable inputs (Level 3) Rs. Mn
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Land

Waskaduwa	1,377.98	31-Mar-21	Open market value method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature and location of the property.	Rs. 800,000/- per perch	1,102.38
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Notes to the Financial Statements

Year ended 31 March

14. PROPERTY, PLANT AND EQUIPMENT (Contd.)

Location		Extent (Sq. ft.)		Valuation technique	Significant unobservable input : price per Sq. ft.		Fair Value measurement using Significant unobservable inputs (Level 3)
		Room Area	Other Area		Room Area	Other Area	
Building							
Waskaduwa	Ground floor	14,912	75,366	Depreciated replacement cost	Rs. 17,000/- per Sq.ft	Rs. 13,000/- per Sq.ft	1,233.26
	First floor	16,776	54,132	Depreciated replacement cost	Rs. 17,000/- per Sq.ft	Rs. 5,150/- per Sq.ft	563.97
	Second floor	16,776	15,127	Depreciated replacement cost	Rs. 17,000/- per Sq.ft	Rs. 4,150/- per Sq.ft	347.97
	Third floor	25,287	12,105	Depreciated replacement cost	Rs. 17,000/- per Sq.ft & Rs. 15,575/- per Sq.ft	Rs. 6,250/- per Sq.ft	493.41
	Roof Top and Other		33,259	Depreciated replacement cost		Rs. 3100/- and Rs.2,855/- per Sq.ft	95.86
	Pond			Depreciated replacement cost			72.68
	Landscaping, gardening, external works, fencing, boundary walls, internal roads, vehicle park etc.			Depreciated replacement cost			52.00
	Swimming Pool			Depreciated replacement cost			38.85
Number of buildings							4.00

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

The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted both local and global markets. Consequently, as at the reporting date, the value reflected represents the best estimate based on the market conditions that prevailed, which in the valuer's considered opinion, meets the requirements in SLFRS-13 Fair Value Measurement.

- 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 2021	Net Carrying Amount 2020
	Rs.	Rs.	Rs.	Rs.
Land	627,141,368	-	627,141,368	627,141,368
Building	2,588,492,949	433,795,385	2,154,697,564	2,218,903,887
	3,215,634,317	433,795,385	2,781,838,932	2,846,045,255

14.9 Impairment Assessment of Property, Plant and Equipment

Hotel properties were identified as separate CGUs by the company for purposes of assessing impairment. The impairment test was carried out for the Hotel properties considering their fair value less cost to sell and value in use. In determining the recoverable value for the CGU, following assumptions were applied. The recoverable amount of the CGU was higher than the book value as of 31 March 2021, and no impairment loss was recognized.

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

	2021	2020
Discount rate :	12.75%	12.85%
Terminal growth rate :	3.00%	4.00%
Price per perch of land	Rs: 800,000	Rs: 750,000
Rate per square feet of building	Rs: 2,855 - Rs: 17,000	Rs: 2,500 - Rs: 16,500

15. RIGHT OF USE ASSET

	2021	2020
	Rs.	Rs.
Cost		
At the beginning of the year	6,407,142	-
Transferred from property plant & equipment	-	6,407,142
At the end of the year	6,407,142	6,407,142
Accumulated depreciation		
At the beginning of the year	4,308,717	-
Depreciation charged for the year	2,098,425	4,308,717
At the end of the year	6,407,142	4,308,717
Carrying value	-	2,098,425

Notes to the Financial Statements

As at 31 March

16. INTANGIBLE ASSETS

	2021			2020
	Website Development	Software	Total	Total
	Rs.	Rs.	Rs.	Rs.
Cost				
At the beginning of the year	1,067,583	1,243,091	2,310,674	1,227,583
Acquisitions during the year	-	-	-	1,083,091
At the end of the year	1,067,583	1,243,091	2,310,674	2,310,674
Amortization				
At the beginning of the year	681,196	158,330	839,526	543,631
Amortization for the year	193,478	411,078	604,556	295,895
At the end of the year	874,674	569,408	1,444,082	839,526
Carrying amount	192,909	673,683	866,592	1,471,148

* 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

	2021	2020
	Rs.	Rs.
Food & beverage	5,595,917	9,094,158
Housekeeping & engineering	3,019,140	2,558,277
Other stocks	4,912,606	4,027,849
	13,527,663	15,680,284

No impairment were recognized on the inventories.

18. TRADE AND OTHER RECEIVABLES

	2021 Rs.	2020 Rs.
Trade debtors - Others	8,446,155	53,137,625
- Related parties (18.1)	3,853,231	4,630,837
	12,299,386	57,768,462
Less: Impairment for trade debtors (18.4)	(5,965,423)	(3,698,168)
Total trade debtors (18.3)	6,333,963	54,070,294
Other debtors - Others	8,258,819	4,815,437
- Related Parties (18.2)	1,140,977	1,620,516
Current trade and other receivables	15,733,759	60,506,247
Non-current trade and other receivables (18.6)	52,361,295	66,994,952

18.1 Trade debtors - related parties

	Relationship	2021 Rs.	2020 Rs.
Triad (Pvt) Ltd.	Affiliate Company	1,305,071	1,305,071
George Steuart Travel (Pvt) Ltd.	Affiliate Company	-	61,091
George Steuart Health (Pvt) Ltd.	Affiliate Company	-	236,500
Power House Limited	Affiliate Company	2,393,310	2,393,310
George Steuart Solutions (Pvt) Ltd.	Affiliate Company	154,850	634,865
		3,853,231	4,630,837

18.2 Other Debtors - related Parties

	Relationship	2021 Rs.	2020 Rs.
Hikkaduwa Beach Resort PLC	Parent Company	1,140,977	1,620,516
		1,140,977	1,620,516

Notes to the Financial Statements

As at 31 March

18. TRADE AND OTHER RECEIVABLES (Contd.)

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 but not impaired				Total Rs.
		31 - 60 Days Rs.	61 - 90 Days Rs.	91 - 120 Days Rs.	> 120 Days Rs.	
2021						
Trade debtors	288,295	-	-	-	12,011,091	12,299,386
Less: Impairment for trade debtors	-	-	-	-	(5,965,423)	(5,965,423)
	288,295	-	-	-	6,045,669	6,333,963
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

18.4 Impairment for trade debtors

	2021 Rs.	2020 Rs.
As at beginning of the year	3,698,168	3,386,344
Charge for the year	2,267,255	311,824
As at end of the year	5,965,423	3,698,168

18.5 Impairment of debtors

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

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 therefore the Management has considered the subsequent settlements of receivables and results of negotiations with travel agents on arriving the default rates.

- 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 32.1

18.6 Other receivables - related parties

	Relationship	2021 Rs.	2020 Rs.
Hikkaduwa Beach Resort PLC	Parent Company	52,361,295	66,994,952
		52,361,295	66,994,952

19. ADVANCE AND PREPAYMENT

	2021 Rs.	2020 Rs.
Advances	8,572,095	8,237,029
Prepayments	5,579,546	4,723,619
	14,151,641	12,960,648

20. TAX RECEIVABLE

	2021 Rs.	2020 Rs.
ESC receivables	5,460,740	7,005,504
WHT receivable	752,997	752,997
	6,213,737	7,758,501

Notes to the Financial Statements

As at 31 March

21. CASH AND CASH EQUIVALENTS

	2021 Rs.	2020 Rs.
Short term bank deposit (21.1)	21,988,805	20,811,330
Cash at bank	1,780,697	1,791,176
Cash in hand	696,046	2,124,918
	24,465,548	24,727,424

21.1 Short term bank deposit

	Credit Rating	2021 Rs.	2020 Rs.
Sampath Bank PLC	AA-(Ika)	21,988,805	20,811,330
		21,988,805	20,811,330

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	2021		2020	
	Number	Rs.	Number	Rs.
As at the beginning of the year	559,857,096	2,901,702,750	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	559,857,096	2,901,702,750

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.

	2021 Rs.	2020 Rs.
Revaluation reserve at the beginning of the year	743,788,003	743,788,003
Surplus on revaluation of land and building	377,609,219	-
Deferred tax effect on revaluation of land and building	(52,865,291)	-
Revaluation reserve at the end of the year	1,068,531,931	743,788,003

24. INTEREST BEARING LOANS AND BORROWINGS

	2021 Rs.	2020 Rs.
Non-current interest -bearing loans and borrowings		
Long term loans (24.1)	1,601,353,213	1,564,361,149
	1,601,353,213	1,564,361,149
Current interest -bearing loans and borrowings		
Long term loans (24.1)	64,377,524	-
Bank overdrafts	155,831,989	156,855,689
	220,209,513	156,855,689
Total interest-bearing loans and borrowings	1,821,562,726	1,721,216,838

24.1 Long term loans

	2021 Rs.	2020 Rs.
At the beginning of the year	1,564,361,149	1,386,400,000
Interest accrued during the moratorium period	76,569,588	179,461,149
Loan obtained during the year	24,800,000	-
Repayments during the Year	-	(1,500,000)
At the end of the year	1,665,730,737	1,564,361,149
Current	64,377,524	-
Non Current	1,601,353,213	1,564,361,149
	1,665,730,737	1,564,361,149

Notes to the Financial Statements

As at 31 March

24. INTEREST BEARING LOANS AND BORROWINGS (Contd.)
24.2 Security and repayment terms

Lender	Nature of facility	Nominal Interest rate	Repayment Terms	Details of collaterals	Carrying Value of Facility		Carrying Value of Asset Pledge	
					2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Sampath Bank PLC	Permanent Overdraft	Annual effective rate of the Fixed Deposits + applicable margin percentage payable monthly together with statutory taxes	On demand	Overdraft agreement for Rs. 17,250,000/- & Lien over funds lying to the credit of following fixed deposits in the name of the company and its successive renewal together with a company Letter of Set – Off FD No. 2029 1587 7947 for Rs.14,953,469 & 2029 1601 9091 for Rs.7,035,336	17,158,614	15,843,797	21,988,805	20,811,330
					82,939,718	84,981,757	4,000,380,115	3,693,492,088
Sampath Bank PLC	Permanent Overdraft	AWPLR+2% p.a. payable monthly together with statutory taxes (AWPLR to be reviewed monthly)	On demand	Overdraft agreement for Rs. 75,000,000/- primary mortgage bond for USD 8,120,000/- (Equivalent to Rs.1,258,600,000/- approx.) and additional mortgage bond for Rs.617,000,000/- over land and 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	540,500,000	4,000,380,115	3,693,492,088

Lender	Nature of facility	Nominal Interest rate	Repayment Terms	Details of collaterals	Carrying Value of Facility		Carrying Value of Asset Pledge	
					2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Sampath Bank PLC	Term Loan Facility	AWPLR+1.5% p.a. payable monthly together with statutory taxes (AWPLR to be reviewed monthly)	134 Monthly Installments starting from Oct 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	844,400,000	4,000,380,115	3,693,492,088
Sampath Bank PLC	Moratorium Loan Facility	10% Per annum payable monthly together with statutory taxes	60 Monthly Installments Starting from Oct 2021	Loan agreement for Rs.209,870,000/- primary mortgage bond for USD 8,120,000/- (Equivalent to Rs.1,258,600,000/- approx.) and additional mortgage bond for Rs.617,000,000/- over land and 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	171,078,840	4,000,380,115	3,693,492,088
Sampath Bank PLC	Moratorium Loan Facility	10% Per annum payable monthly together with statutory taxes	60 Monthly Installments Starting from Oct 2021	Loan agreement for Rs.1,780,000/- 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.	9,110,935	8,382,308	4,000,380,115	3,693,492,088

Notes to the Financial Statements

As at 31 March

24. INTEREST BEARING LOANS AND BORROWINGS (Contd.)
24.2 Security and repayment terms (Contd.)

Lender	Nature of facility	Nominal Interest rate	Repayment Terms	Details of collaterals	Carrying Value of Facility		Carrying Value of Asset Pledge	
					2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Sampath Bank PLC	Moratorium Loan Facility	0% Interest	24 Monthly Instalments Starting from July 2021	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.	23,464,641	-	4,000,380,115	-
				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.	36,657,803	-	4,000,380,115	-
Sampath Bank PLC	Moratorium Loan Facility	0% Interest	24 Monthly Instalments Starting from July 2021	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.	14,961,277	-	4,000,380,115	-
				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.	757,240	-	4,000,380,115	-
Sampath Bank PLC	Saubagya Covid-19 Renaissance Loan Facility	4% Per annum payable monthly together with statutory taxes	18 Monthly Instalments Starting from Oct 2021	Loan agreement for Rs.15,000,000/- primary mortgage bond for USD 8,120,000/- (Equivalent to Rs.1,238,600,000/- 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.	15,000,000	-	4,000,380,115	-

Lender	Nature of facility	Nominal Interest rate	Repayment Terms	Details of collaterals	Carrying Value of Facility		Carrying Value of Asset Pledge	
					2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Sampath Bank PLC	Saubagya Covid-19 Renaissance Loan Facility	4% Per annum payable monthly together with statutory taxes	18 Monthly Instalments Starting from Aug 2021	Loan agreement for Rs.9,800,000/- primary mortgage bond for USD 8,120,000/- (Equivalent to Rs.1,258,000,000/- 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.	9,800,000	-	4,000,380,115	-
Commercial Bank of Ceylon PLC	Permanent Overdraft	AWPLR+2.5% p.a payable monthly together with statutory taxes (AWPLR to be reviewed monthly)	On demand	property called 'Sanathoduwa' situated in Kalpitaya 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 Kalpitaya Beach Resort PLC) under the Deed of Sub Lease No. 514 dated 14th February 2011.	55,724,116	56,030,135	227,450,000	216,625,000

Notes to the Financial Statements

As at 31 March

25. LEASE LIABILITY

	2021 Rs.	2020 Rs.
As at beginning of the year	2,337,252	-
Transfer from interest bearing loans and borrowings	-	5,498,054
Interest expense	51,562	366,656
Payments	(2,388,814)	(3,527,458)
As at end of the year	-	2,337,252
Current lease liabilities	-	2,337,252
	-	2,337,252

26. RETIREMENT BENEFIT OBLIGATION

	2021 Rs.	2020 Rs.
As at beginning of the year	7,106,443	4,320,489
Current service cost	1,941,768	1,624,984
Interest cost	710,644	475,254
Actuarial (gain)/loss arising from changes in assumptions	379,044	1,184,366
Payments made during the year	(527,736)	(498,650)
As at end of the year	9,610,163	7,106,443

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

	2021 Rs.	2020 Rs.
Expense recognized in profit or loss		
Current service cost	1,941,768	1,624,984
Interest cost	710,644	475,254
	2,652,412	2,100,238
Actuarial (Gain)/Loss recognized directly in OCI	379,044	1,184,366

26.2 Maturity profile of the defined benefit obligation

	2021 Rs.	2020 Rs.
Within the next 12 months	3,236,382	2,868,134
Between 1-2 Years	2,012,908	1,653,255
Between 3-5 Years	3,780,730	2,062,421
Between 6-10 Years	548,108	515,365
Beyond 10 Years	32,035	7,269
Total	9,610,163	7,106,443

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;

	2021 Rs.	2020 Rs.
Discount Rate as at 31 March		
Effect on DBO due to decrease in the discount rate by 1%	209,481	130,925
Effect on DBO due to increase in the discount rate by 1%	(200,346)	(125,725)
Salary escalation rate as at 31 March		
Effect on DBO due to decrease in salary escalation rate by 1%	(239,169)	(156,391)
Effect on DBO due to increase in salary escalation rate by 1%	245,844	160,176

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. RETIREMENT BENEFIT OBLIGATION (Contd.)

26.4 The average duration of the defined benefit plan obligation at the end of the reporting period is 2.26 years. (2020 - 1.97 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 2021. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

	2021	2020
Discount rate assumed	7.00%	10.00%
Future Salary increase rate	8%	8%
Staff turn over	45%	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

	2021 Rs.	2020 Rs.
Trade Payables - others	32,702,692	35,253,393
- related Parties (27.1)	2,964,599	3,881,222
Other Payables	56,613,874	51,862,569
Notes payable	52,421,839	66,024,610
Sundry creditors including accrued expenses	110,461,175	47,196,925
Current trade and other payables	255,164,179	204,218,719

For terms and conditions with related parties, refer to note 32.1.

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

27.1 Trade Payables - related parties

	Relationship	2021 Rs.	2020 Rs.
George Steuart Laboratories (Pvt) Ltd	Affiliate Company	616,354	1,219,064
George Steuart Teas (Pvt) Ltd.	Affiliate Company	-	37,821
George Steuart Solutions (Pvt) Ltd.	Affiliate Company	4,860	110,975
Divasa Equity (Pvt) Ltd.	Affiliate Company	460,239	460,239
Triad (Pvt) Ltd.	Affiliate Company	624,693	578,253
Adpack Productions (Pvt) Ltd.	Affiliate Company	663,200	879,618
Emagewise (Pvt) Ltd.	Affiliate Company	595,252	595,252
		2,964,599	3,881,222

28. CONTRACT LIABILITIES

	2021 Rs.	2020 Rs.
Advance received for future room reservations	1,380,486	11,577,954
Advance received for future banquet reservations	626,350	11,333,626
Advance received for cancelled banquet reservations	1,552,248	1,552,249
	3,559,084	24,463,829

These amounts will be settled for revenue within next 12 months

Notes to the Financial Statements

Year ended 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 2021, which would require adjustment to, or disclosure in the financial statements.

31. EVENTS OCCURRING AFTER THE REPORTING DATE

There has been no material events occurring after the reporting date that requires adjustment to or disclosure in the financial statements.

32. RELATED PARTY DISCLOSURES

32.1 Terms and conditions of transactions with related parties

Company carried out transactions in the ordinary course of the business on an arm's length basis at commercial rates with parties who are defined as Related Parties as per the Sri Lanka Accounting Standard - LKAS 24 'Related Party Disclosures'.

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 2021 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 16 - 17 Annual Report of the Board of Directors on the Affairs of the Company.

32.2 Transaction with the parent and related entities

Details of significant related party disclosures are as follows:

Nature of Transaction	Intermediate Parent Company*		Parent Company**		Affiliate Companies***		Total	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Balance as at 1 April	-	(22,548,732)	68,615,468	(856,438,765)	749,615	10,319,150	69,365,083	(868,668,346)
Recurrent transactions								
Fund transfers	17,000,000	-	52,240,794	162,243,715	-	16,905,267	69,240,794	179,148,982
Funds received from/Settlement Received	(18,259,671)	(18,900,000)	(70,100,000)	(92,150,000)	-	(28,184,169)	(88,359,671)	(139,234,169)
Expenses incurred on behalf of other companies	-	5,434	110,625	839,990	-	2,296,296	110,625	3,141,721
Expenses incurred on behalf of the company	(4,885,260)	(1,242,147)	(246,510)	(1,046,520)	-	-	(5,131,770)	(13,467,996)
Collection made by the Company on behalf of others	-	(7,454,249)	(2,022,356)	(310,870)	-	-	(2,022,356)	(7,765,119)
Collection made by Others on behalf of the company	-	-	7,000	201,426	-	-	7,000	201,426
Inter-company interest income	197,885	24,966	5,112,448	2,700,487	-	514,128	5,310,333	3,239,582
Inter-company interest expense	-	(694,483)	-	-	-	(39,950)	-	(734,433)
Management fee	(7,158,213)	(29,275,012)	-	-	-	-	(7,158,213)	(29,275,012)
Mortgage fee expenses	-	-	(500,000)	(501,370)	-	-	(500,000)	(501,370)
Payment made for interest, management fees and other settlements	13,105,259	91,226,488	-	-	5,060,172	14,117,777	18,165,430	105,344,265
Trading nature transactions (Sales)	-	-	339,514	66,500	118,412	4,284,512	457,926	4,351,012
Settlements for trading nature Transactions (sales receipts)	-	-	-	-	(416,004)	(4,715,458)	(416,004)	(4,715,458)
Purchase of goods/service	-	-	(54,711)	-	(4,623,563)	(14,722,660)	(4,678,274)	(14,722,660)
WHT receivable	-	(2,389)	-	(59,010)	-	(26,521)	-	(87,919)
WHT payable	-	39,451	-	430,119	-	1,242	-	470,812
Non-recurrent transactions								
Inter-company interest expense on right issue balance	-	-	-	(8,584,636)	-	-	-	(8,584,636)
Right issue of Shares	-	-	-	859,414,402	-	-	-	859,414,402
Total	-	-	53,502,272	68,615,468	888,632	749,615	54,390,904	69,365,083

Notes to the Financial Statements

Year ended 31 March

32. RELATED PARTY DISCLOSURES (Contd.)

	Intermediate Parent Company*		Parent Company**		Affiliate Companies***			Total	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Included under									
Trade and other receivables (Note 18.2)	-	-	1,140,977	1,620,516	3,853,231	4,630,837		4,994,208	625,1353
Non-current trade and other receivables (Note 18.6)	-	-	52,361,295	66,994,952	-	-		52,361,295	66,994,952
Trade and other payables (Note 27.1)	-	-	-	-	(2,964,599)	(3,881,222)		(2,964,599)	(3,881,222)
	-	-	53,502,272	68,615,468	888,632	749,615		54,390,904	69,365,083

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, Emagewise (Pvt) Ltd, Power House Limited, Divasa Equity (Pvt) Ltd, Adpack Productions (Pvt) Ltd, George Laboratories (Pvt) Ltd and Citrus Silver Limited.

32.3 Key Management Personnel (KMP)

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly.

KMP of the Company

The Board of Directors (including Executive and Non-Executive) of the company have been classified as KMP of the company.

32.3.1 Other Transactions with Key Management Personnel

Loans to Directors

No loans have been granted to the Directors of the company

Key Management Personnel Compensation

No directors emoluments were incurred at the company level for the year ended 31 March 2021 (2020 - Nil).

Other Transactions with Key Management Personnel

There are no other transactions between the company and Key Management Personnel for the year ended 31 March 2021 (2020 - Nil)

Details of Directors' shareholdings are given in the Annual Report of the Directors on the Affairs of the company on page 13.

Notes to the Financial Statements

Year ended 31 March

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.

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 Audit committee in managing all risks affecting the company. The company audit committee is assisted in its oversight role by company's internal audit. Internal audit undertakes both regular reviews of risk management controls and procedures the results of which is reported to the audit committee. The group finance department of the holding company also implement and carries out specific risk management policies laid down and approved by the management. The group finance division in close co-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, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include bank overdrafts, debt and equity investments and investments designated under fair value through profit or loss.

The sensitivity analyses in the following sections relate to the position as at 31 March 2021 and 2020.

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 2021 and sensitivity analysis to profit & loss if interest rate increased /decrease by 50 basis points for loans and borrowings affected, with all other variables held constant.

	Increase/ decrease in basis points	Effect on profit before tax Rs.
2021	+50 (0.5%)	(8,356,690)
	-50 (-0.5%)	8,356,690
2020	+50 (0.5%)	(7,821,806)
	-50 (-0.5%)	7,821,806

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.
2021	+5%	42,668
	-5%	(42,668)
2020	+5%	504,621
	-5%	(504,621)

Notes to the Financial Statements

Year ended 31 March

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd.)

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

Maturity analysis

The table below summarises the maturity profile of the company's financial liabilities at 31 March 2021 based on contractual undiscounted payments.

As at 31 March 2021	On Demand Rs.	Within 1 Year Rs.	Between 2-5 Years Rs.	Over 5 Years Rs.	Total Rs.
Interest-bearing loans and borrowings	155,831,989	72,916,773	691,865,380	920,500,000	1,841,114,142
Trade and other payables	240,494,183	14,669,996	-	-	255,164,179
	396,326,172	87,586,769	691,865,380	920,500,000	2,096,278,321

The table below summarises the maturity profile of the company's financial liabilities at 31 March 2020 based on contractual undiscounted payments.

As at 31 March 2020	On Demand Rs.	Within 1 Year Rs.	Between 2-5 Years Rs.	Over 5 Years Rs.	Total Rs.
Interest-bearing loans and borrowings	156,855,689	-	600,359,544	983,500,000	1,740,715,233
Lease liabilities	-	2,388,814	-	-	2,388,814
Trade and other payables	204,218,719	-	-	-	204,218,719
	361,074,408	2,388,814	600,359,544	983,500,000	1,947,322,766

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;

	2021 Rs.	2020 Rs.
Trade and other receivables	15,733,759	60,506,247
Investments in bank deposits	21,988,805	20,811,330
Cash at Bank	1,780,697	1,791,176
	39,503,261	83,108,753

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 2021 and 2020 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:

	2021 Rs.	2020 Rs.
Individual debtors	1,834,674	1,595,548
Corporate debtors	13,899,085	58,910,699
	15,733,759	60,506,247

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

Year ended 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.

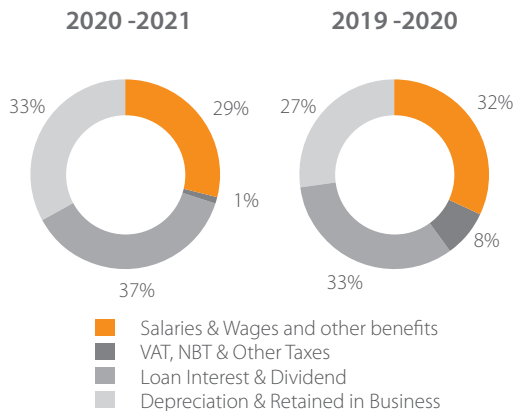
The company's gearing ratio at 46% (2020 - 44%) . The company manages its capital structure, and makes adjustments to it, in the light of changes in economic conditions, and continues looking for ways of improving its capital structure in order to support the company's business strategies.

Five Year Summary

		2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
TRADING RESULTS						
Revenue	Rs.'000s	685,759	693,580	795,681	623,281	238,607
Profit/(Loss) Before Tax	Rs.'000s	(227,401)	(254,248)	(213,511)	(252,038)	(333,965)
Taxation (Expense)/Reversal	Rs.'000s	(669)	(982)	198	(457)	(1,261)
Profit/(Loss) After Tax	Rs.'000s	(228,070)	(255,230)	(213,314)	(252,495)	(335,226)
Funds employed						
Stated capital	Rs.'000s	2,042,238	2,042,238	2,042,238	2,901,703	2,901,703
Capital Reserves	Rs.'000s	100,924	743,788	743,788	743,788	1,068,532
Revenue reserves	Rs.'000s	(789,203)	(1,044,618)	(1,257,769)	(1,511,283)	(1,846,835)
Borrowings	Rs.'000s	1,706,039	1,708,983	1,548,920	1,721,217	1,821,563
Assets Employed						
Non-current assets	Rs.'000s	3,730,996	4,367,436	4,179,697	4,092,383	4,312,197
Current assets	Rs.'000s	146,235	151,189	161,445	121,633	74,092
Cashflow						
Net cash inflow/(outflow) from operating activities	Rs.'000s	31,900	(83,013)	(117,176)	104,031	(35,643)
Net cash inflow/(outflow) from investing activities	Rs.'000s	(15,122)	(50,007)	(24,621)	(75,639)	(731)
Net cash inflow/(outflow) from financing activities	Rs.'000s	(48,070)	46,560	241,695	(28,805)	37,135
Increase / (decrease) in cash and cash equivalents	Rs.'000s	(31,291)	(86,460)	99,898	(413)	762
Key Indicators						
Earnings/(Loss) per Share - Basic/diluted	Rs.	(1.13)	(1.27)	(1.06)	(0.50)	(0.60)
Net Assets Value per share	Rs.	8.10	8.63	7.58	3.81	3.79
Market price per share	Rs.	3.00	3.20	2.30	3.50	3.10
Interest cover	Times	0.16	0.09	0.29	(0.27)	(1.04)
Dividend Per Share	Rs.	-	-	-	-	-
Dividend Payout Ratio	%	-	-	-	-	-

Statement of Value Added

	2020/21		2019/20	
	Rs.	%	Rs.	%
Turnover	264,889,930		735,511,387	
Other income	6,830,746		11,849,574	
	271,720,676		747,360,961	
Less: Cost of material & services bought in	(159,690,464)		(380,562,356)	
	112,030,212		366,798,605	
Value Allocated to Employees				
Salaries & wages and other benefits	130,753,390	29	196,534,857	32
To Government				
VAT, income tax & other taxes	3,675,564	1	49,806,513	8
To Providers of Capital				
Loan interest	166,999,035	37	202,278,974	33
To Expansion & Growth				
Depreciation & retained in business	145,828,638	33	170,673,126	27
	447,256,627	100	619,293,470	100



Share Information

ORDINARY SHAREHOLDERS

There were 1,877 registered shareholders as at 31st March 2021, distributed as follows.

Shareholders Categorised Summary Report – As at 31st March 2021

From	To	No of Holders	No of Shares	%
1	1,000	961	274,376	0.05
1,001	10,000	527	2,370,173	0.42
10,001	100,000	325	11,909,879	2.13
100,001	1,000,000	61	15,496,585	2.77
Over 1,000,000		3	529,806,083	94.63
Total		1,877	559,857,096	100.00

Categories of Shareholders

Category	No of Holders	No of Shares	%
Local Individuals	1,794	26,241,625	4.69
Local Institutions	75	533,423,579	95.28
Foreign Individuals	8	191,892	0.03
Foreign Institutions	-	-	0.00
Total	1,877	559,857,096	100.00

The percentage of the shares held by public as at 31st March 2021 was 10.03% (As at 31st March 2020 was 2.01%) comprising 1,876 shareholders (As at 31st March 2020 was 1,295 shareholders).

The Float adjusted market capitalization of the company as at 31 March 2021 is Rs: 174,025,047. The company falls under Option 2 of Rule 7.13.1(b) of the Listing Rules of the CSE. 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 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

	2020/21 Rs.	2019/20 Rs.
Highest during the year	5.70 (02.07.2020)	7.70 (19.11.2019)
Lowest during the year	2.70 (12.05.2020)	1.60 (10.06.2019)
As at end of the year	3.10	3.50

20 Major Shareholders of the Company

	Name	No of Shares As at 31.03. 2021	(%)	No of Shares As at 31.03. 2020	(%)
1	Hikkaduwa Beach Resort PLC	503,719,984	89.97	548,598,552	97.99
2	Commercial Bank Of Ceylon PLC/Ayenka Holdings (Pvt) Limited	23,387,112	4.18	-	-
3	Mr. G.R.W. De Soysa	2,698,987	0.48	2,698,987	0.48
4	People'S Leasing & Finance PLC/Mrs. H.C. Kalansooriya	768,803	0.14	-	-
5	Merchant Bank Of Sri Lanka & Finance PLC 01	750,000	0.13	-	-
6	Hatton National Bank PLC/Mohotti Withanage Ajantha Lakmal	696,205	0.12	-	-
7	Mr. H.A. Nasar	667,097	0.12	-	-
8	Mr. N. Samarasuriya & Mrs. C. Samarasuriya	600,000	0.11	-	-
9	Merchant Bank Of Sri Lanka & Finance PLC/W.R. Sriya & A.A.N.C. Amarasinghe	500,000	0.09	-	-
10	Mr. N.A. Sellahewa (Deceased)	475,742	0.08	475,742	0.08
11	Mr. P.P. Subasinghe	446,874	0.08	51,200	0.01
12	Mr. W.I.J. Fernando	416,008	0.07	-	-
13	Mr. D.M.P. Disnayake	405,470	0.07	-	-
14	Merchant Bank Of Sri Lanka & Finance PLC/M.V.D.S.P. Vithanage	401,254	0.07	-	-
15	Mr. S. Gobinath	373,462	0.07	-	-
16	Mr. D.C.S. Perera	365,000	0.07	18,800	0.00
17	Merchant Bank Of Sri Lanka & Finance PLC/S Gobinath	360,000	0.06	50,000	0.01
18	Mr. T.J. Lerociyan	320,001	0.06	-	-
19	Mr. K.P.D.H. De Silva	305,000	0.05	-	-
20	Mr. H.A.K.N. Priyadharshana	287,000	0.05	4,879	0.00
	Others	537,943,999	96.09	551,898,160	98.58
	Total	21,913,097	3.91	7,958,936	1.42
		559,857,096	100.00	559,857,096	100.00

Directors' and CEO's Shareholding;

Directors	No of Shares as at 31.03.2021	(%)	No of Shares as at 31.03.2020	(%)
Mr. E P A Cooray	Nil	Nil	Nil	Nil
Mr. D S Jayaweera	Nil	Nil	Nil	Nil
Ms. V S F Amunugama	Nil	Nil	Nil	Nil
Mr. S A Ameresekere	Nil	Nil	Nil	Nil
Mr. R Seneviratne	Nil	Nil	Nil	Nil
Mr. J M B Pilimatalawwe	Nil	Nil	Nil	Nil
Mr. S D de Mel	Nil	Nil	Nil	Nil
Chief Executive Officer				
Mr. P C B Talwatte	Nil	Nil	Nil	Nil

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Tenth (10th) Annual General Meeting of Waskaduwa Beach Resort PLC will be held by electronic means on 27th September 2021 at 10.30 a.m. centred at the Registered Office of the Company at No. 56/1, Kynsey Road, Colombo 8 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 2021 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. J M B Pilimatalawwe who retires by rotation in terms of Article 88 of the Articles of Association of the Company.
4. To re-appoint Messrs Ernst & Young, 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 2022 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

31 August 2021

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 by electronic means.
2. A proxy need not be a Shareholder of the Company.
3. The Form of Proxy is enclosed for this purpose.
4. Shareholders are advised to follow the Guidelines and Registration Process for the Annual General Meeting attached hereto.

Form of Proxy

I/We*
 (NIC/Passport/Co.Reg.No.) of being a
 shareholder /shareholders of Waskaduwa Beach Resort PLC hereby appoint
 (NIC/Passport 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 Tenth Annual General Meeting of the Company to be held by electronic means on 27th September 2021 at 10.30 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 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." | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. To re-elect as a Director Mr. J M B Pilimalawwe who retires by rotation in terms of Article 88 of the Articles of Association of the Company. | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. To re-appoint Messrs Ernst & Young, 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 2022 and up to the date of the next Annual General Meeting. | <input type="checkbox"/> | <input type="checkbox"/> |

In witness my/our* hands this day of Two Thousand and Twenty One

.....
 Signature of Shareholder/s

*Please delete what is inapplicable.

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

INSTRUCTIONS AS TO COMPLETION

1. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.
2. The completed Proxy should be forwarded to the Company for deposit at the Registered Office through the Company Secretaries, P W Corporate Secretarial (Pvt) Ltd, No. 3/17, Kynsey Road, Colombo 08 (email citw.pwcs@gmail.com) by 10.30 p.m. on 25th September 2021.

In forwarding the completed and duly signed Proxy to the Company, please follow the **Guidelines and Registration Process for the Annual General Meeting** attached to the Notice of Annual General Meeting.

3. The Proxy shall –
 - (a) In the case of an individual be signed by the shareholder or by his attorney, and if signed by an attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.
 - (b) In the case of a company or corporate / statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the Company or corporate / statutory body in accordance with its Articles of Association or the Constitution or the Statute. (as applicable)
4. Please indicate with a 'X' how the Proxy should vote on each resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.

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. 56/1, Kynsey Road, Colombo 08.

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

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