



citrus

Waskaduwa Beach Resort PLC

Annual Report 2021/22

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Chairman's Review

I am pleased to present the Annual Report of Waskaduwa Beach Resort PLC for the financial year 2021/22 which provides an insight into the Company's strategies and performance. Despite the unprecedented economic environment due to the COVID-19 pandemic as well as the ongoing economic downturn of Sri Lanka, we have maintained our commitment to timely and transparent financial reporting.

Industry Overview

Subsequent to the pandemic which affected most businesses and lives throughout the last financial year, this financial year began with even greater uncertainty for all Sri Lankans in the form an acute economic crisis further fuelling social and political unrest, which is of grave concern for all businesses and especially the leisure sector at the time of writing this message.

As a forerunner in the local leisure sector who closely works with and is involved in this business segment, we felt the hardship and the financial stress, and sadly, it has been aggravated further by the turmoil of acute shortage of foreign exchange, basic essentials and especially fuel which is grinding the economy to a halt.

The country's tourism sector has grown over time to emerge as one of the most valuable players in the Sri Lankan economy, contributing 12% to the country's GDP. This sector also contributes towards employment generation, forex earnings as well as ensuring a steady supply of revenue. It was indeed heartening to witness the positive trends which are depicted in the international tourist arrivals, which have increased by more than two folds to

a staggering 130% in January 2022. However, this trend was hampered with the Omicron variant wreaking havoc globally and travel restrictions coming into force. The war in Ukraine poses new challenges to the global economic environment and risks hampering the return of confidence in global travel. Russia and Ukraine, remain as the top and third-largest tourist markets respectively. Nearly 20,000 tourists from Russia and Ukraine have travelled to Sri Lanka in January 2022, accounting for more than a quarter of all visitors. A steady influx of tourists would undoubtedly help aid the recovery of the disaster-hit industry with its foreign exchange woes; it is critical that the industry strives to obtain optimum results from the upcoming tourist seasons; increased tourist arrivals and tourism receipts will form the basis for a turnaround of the industry as well as the country.

Government Contribution

On behalf of the Board, I wish to thank the Government and the Central Bank of Sri Lanka for the directives given to the banks facilitating moratoriums and new loans at concessionary interest rates. These measures are vital steps which have been embarked on in order to stabilise the holistic sector. It is also encouraging to note the strides the tourism authorities are taking to formulate a future marketing strategy together with the key stakeholders in the industry. It is important that all stakeholders pull together in achieving this common goal. Sri Lanka has carved a niche in the source markets of India, China, the United Kingdom and Germany, and more recently with Russia and Ukraine. These markets remain hopeful and optimistic of the potential of this our island nation, and is therefore necessary that we ensure our house

Chairman's Review

is in order which will enable us to take giant steps towards prosperity.

Company Performance

Our performance demonstrates how far we have come in building operational agility and lasting margin resilience into the business and the actions we took were fully in line with the strategic growth pillars. Clearly, the COVID-19 pandemic and the economic recession of the country during the second half of the year had an impact on our performance. The biggest impact of the trading and movement restrictions imposed to reduce the spread of the COVID-19 pandemic during Q1-Q2 resulted in holistic slowdown in the industry. Despite this negativity, the Company was able to report a turnover of Rs. 351 Mn against the previous year turnover of Rs. 239 Mn, reporting a year-on-year growth of 47%.

Looking Ahead

Although Sri Lanka Tourism declared 2022 as the 'Visit Sri Lanka Year' in line with the integrated five-year Global Communication Campaign (GCC), aiming to attract six million tourists and USD 10 billion revenue by 2025 despite the challenges faced due to COVID, Sri Lanka's on-going economic crisis seems to have crippled these plans. The United Kingdom and Canada have issued travel advisories to their citizens to restrict visiting Sri Lanka, warning of the country's current power failures, gas and food shortages and accelerating essential food prices. Besides the pandemic fear, the sudden spread of dengue in the island has put Sri Lanka into a quite desolate state. In order to resurrect from these doldrums, the national fiscal and monetary authorities need to carefully sequence, calibrate

and coordinate their policies to avoid sudden disruptions. This requires the complete mobilisation of governments, international financial institutions, credit-rating agencies and others.

However, all seems not lost with the European winter season approaching. It is necessary for the Tourist Board to take hastened steps through promotions targeting this segment, which will in turn ensure a substantial number of travellers being captured through these promotions. A positive winter season would mark a significant turnaround to the dwindling dollar reserve issue, while ensuring a positive impact across the entire hotel and leisure sector.

The Chinese travel market is one of the top ten markets for Sri Lanka and Sri Lanka is an ideal destination which caters to their holiday and travel requirements at all times. China's outbound travel market is driven by powerful demographics. Its 1.4 billion people are becoming wealthier, with steady income and high purchasing power results in increased travel out of the country.

The Sri Lankan Tourist Board also aims at tapping into the Indian tourist market and has in place a string of events including roadshows which will be held in the cities of Chennai, Bangalore, Hyderabad, Mumbai, and New Delhi later on this year. Tourists from India dominated Sri Lanka's tourism market last year, contributing almost 23% of the total 194,000 tourists who visited the island country in 2021.

The increase in air fares has been a damper in attracting many tourists into our island nation, especially from the European sectors, however

these markets too are been looked at lucratively with authorities taking necessary steps to increases inflow. On the flip side the lower air travel costs incurred within the Asian region has given rise to the increase in number of Indian and Chinese travellers. There are proposals to increase flights between Sri Lanka and India, especially budget carriers; if these plans come to fruition, Sri Lanka would become more attractive to the Indian market especially in light of massive increases in airfares around the world.

The Russian-Ukrainian war has curtailed many travellers from these two countries, with travel bans on Russians increasing in the intent of a peaceful solution been achieved. With limited destinations available to these travellers, it is necessary for the tourism authorities take hastened steps to capture this segment.

Tourism is slated to play a crucial role in the resurrection of the country's distressed economic condition, by attracting foreign exchange earnings and complementing the growth rate in the years to come. With the country looking for a way out of the mess it finds itself in on the economic front, the tourism sector will be expected to revive its fortunes, which in the past had been a source of much glory for the Sri Lankan economy.

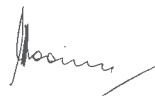
In order to generate greater interest, Sri Lanka needs to increase the visibility of the destination, selling the destination as a must visit place in the world as well as marketing the various products and services available in Sri Lanka.

It would also be necessary to rebrand Colombo as an Entertainment Hub, which will attract more travellers. The city has many new developments slated to transform the entertainment offering to tourists. This includes the proposed Cinnamon Life project and the Port City Colombo project which hold unprecedented potential to promote the entertainment industry.

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 2022
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 2022. The Company has remained resilient and steadfast in its approach, having recorded growth despite a turbulent macroeconomic environment that has caused social and political unrest in the country. The Sri Lankan economy recorded a growth of 3.7 percent in 2021, compared to -3.6 percent in 2020. With the relaxing of COVID-19 pandemic-related restrictions, there was a sense of hope and revival, with the three economic sectors – agriculture, industry, and services – showing growth.

However, short-sighted economic, fiscal, and monetary policy saw the country experiencing the worst economic crisis the nation has ever seen. The Company had to contend with severe domestic macroeconomic pressures, primarily from a deteriorating external financing position which has resulted in shortages of essential items such as, food and medicine, disruption in power supply, hyperinflation and most significantly- political uncertainty. There was an increasing trend of the general public participating in social movements in the form of peaceful gatherings and demonstrations and this created further uncertainty.

We hope that all parties will work together in the national interest to resolve this current crisis, paving the way for a stable leadership to be formed which will enable the wheels of the economy to turn with sustained fuel supply, restoring of power, instilling investor confidence and more importantly concluding IMF discussions thus enabling all business to work efficiently to contribute better for the recovery of the Sri Lankan economy.

Performance Review

Through these challenging times, the Company was able to record a revenue of Rs. 351 Mn in the financial year under review, which is a 47% percent growth over the last year. The Hotel reported 46% occupancy level during the winter season but with the difficult first half of the financial year, Citrus Waskaduwa recorded 38% as their overall occupancy for the financial year 2021-22.

Sri Lanka opened its doors to tourism in January 2021 and persevered despite several setbacks which were experienced with the emergence of new COVID-19 variants. Post pandemic recovery necessitated the development of new source markets, as traditional markets for tourism were not seen as viable due to stringent travel restrictions. Gathering momentum, tourist arrivals stood at 106,500 in March 2022.

With tourism edging its momentum towards positivity the unexpected Russo-Ukrainian war which escalated in Feb 2022 sent immediate shock waves across the globe. The invasion caused Europe's largest refugee crisis since World War II, and an immediate halt to travellers from both countries. This in turn crippled the local leisure sector which was dependent of the tourist influx from both these countries.

In this backdrop, all properties across the Citrus Group remained operational during the year under review, rebounding from their functionality as COVID-19 quarantine centres. Citrus Waskaduwa, being the first to restart operations under a new programme as a quarantine centre, remained as an Intermediary Care Centre (ICC) with Kings Hospital

Colombo until September 2021. After the handing over of the property, a comprehensive clean up and refurbishment took place, prior to commencing operations on 01st November 2021.

Creating the correct atmosphere to complement each of these properties is an aspect which Citrus ensures. An integral part of this is having the right people in the right places. As a service sector operator, our team is a vital part of our value creation process and our competitive edge in the industry. Retention remained a key challenge given that impending negative economic sentiments have created a brain drain locally, with many professionals leaving Sri Lankan shores to venture beyond. This has created a huge vacuum in the holistic leisure sector and within the Citrus properties. We ensure our employees are remunerated according to industry standards, uncertainty and political unrest could be named as the attributing factors to this scenario.

Way Forward

Sri Lanka has a difficult journey ahead. With the much-needed corrective measures being implemented by the Central Bank of Sri Lanka recently, and the focus on building the credibility of the Sri Lankan economy, we believe that in time the country can overcome the current crisis. The government's decision to seek the assistance of the International Monetary Fund (IMF) is only the starting point and will propel the country to implement critical reforms.

Sri Lanka is facing unprecedented challenges that could affect the future of generations, and as

responsible corporate citizens, we believe it is our duty and responsibility to remain hopeful, persevere, and give the necessary support to ensure that our country emerges from this economic catastrophe.

We approach the current situation with cautious optimism combined with realism and I believe this will be a test of survival for businesses globally. Our diversity, strong partnerships with principals of global repute, and an experienced and professional team are key strengths that will support our recovery from this crisis. Every crisis gives rise to positive transformations, and Citrus will focus on this positivity. As a pioneer in the local leisure sector we are taking all steps to develop and implement rapid responses as far as possible to unpredictable challenges that could occur in this volatile economic and business environment, while ensuring we look at all avenues to uplift the tourism sector to its previous splendour.

Acknowledgment

As we end the year on a strong note, we remain steadfast and determined than ever on our journey of growth. The resilient performance by the Company is the result of the yeoman contribution of the family at Citrus, and I thank them for their untiring efforts to drive the performance of the Company during the year. We have greater challenges to face in the months ahead and request their unstinting support in creating an even more resilient and sustainable Company that will endure to create greater value for its stakeholders. I take this opportunity to thank the Board for their guidance through unprecedented challenges and thank the Chairman for his visionary foresight.

CEO's Review

We are appreciative of our bankers and count on their continued support in the years ahead as well. Our business partners have been a key strength in managing our recovery and we are eager to collaborate to drive the revival of the affected sector. In closing, I thank the shareholders for their confidence, and trust they will be a part of our revival journey in the coming year.



P C B Talwatte

Chief Executive Officer

31 August 2022

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.

Sarva Ameresekere is the Group Executive Director of George Steuart & Company Ltd., 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 tea exports, healthcare, 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.

Mr. Ameresekere also serves as the Director / CEO of Triad (Pvt) Ltd, one of Sri Lanka's leading creative communication entities. The Triad group integrates a cluster of companies specialized in a plethora of communication disciplines, thereby offering clients an unmatched holistic and synchronized communication solution.

He 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 Pilimatalawwe

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

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

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

Global Economy

The global economy enters 2022 in a weaker position than previously expected. As the new Omicron COVID-19 variant spreads, during the early part of the year, several countries reintroduced some mobility restrictions. Rising energy prices and supply disruptions have resulted in higher and more broad-based inflation than anticipated, notably in the United States and many emerging market and developing economies. The ongoing retrenchment of China's real estate sector and slower-than-expected recovery of private consumption also have limited growth prospects.

Global growth is expected to moderate from 5.9 in 2021 to 4.4 percent in 2022—half a percentage point lower for 2022 than in the October World Economic Outlook (WEO), largely reflecting forecast markdowns in the two largest economies. A revised assumption removing the Build Back Better fiscal policy package from the baseline, earlier withdrawal of monetary accommodation, and continued supply shortages produced a downward 1.2 percentage-points revision for the United States. In China, pandemic-induced disruptions related to the zero-tolerance COVID-19 policy and protracted financial stress among property developers have induced a 0.8 percentage-point downgrade.

According to World Bank, the global growth is expected to slow down significantly in 2022 to 2.9% and average 3% in 2023/24. The World Bank report notes that Russia's invasion of Ukraine is the second major global shock in just over two years, worsening the global economic slowdown. In particular it has strained global supply chains and caused significant additional increases in the prices of many commodities, particularly those exported by Russia and Ukraine. This has contributed to a further acceleration of inflation in both advanced economies and emerging markets and developing economies (EMDE). Global financial conditions have tightened considerably, reflecting increases in monetary policy rates, greater volatility, and waning risk appetite.

Global Tourism

Based on the latest available data, global international tourist arrivals more than doubled (+130%) in January 2022 compared to 2021 - the 18 million more visitors recorded worldwide in the first month of this year equals the total increase for the whole of 2021.

While these figures confirm the positive trend already underway last year, the pace of recovery in January was impacted by the emergences of the Omicron variant and the re-introduction of travel restrictions in several destinations. Following the 71% decline of 2021, international arrivals in January 2022 remained 67% below pre-pandemic levels.

After the unprecedented drop of 2020 and 2021, international tourism is expected to continue its gradual recovery in 2022. As of 24 March 2022, destinations had no COVID-19 related restrictions in place and an increasing number of destinations were easing or lifting travel restrictions, which contributes to unleashing pent-up demand.

The war in Ukraine poses new challenges to the global economic environment and risks hampering the return of confidence in global travel. The US and Asian source markets, which have started to open up, could be particularly impacted especially regarding travel to Europe, as these markets are historically more risk averse.

The shutdown of Ukrainian and Russian airspace, as well as the ban on Russian carriers by many European countries is affecting intra-European travel. It is also causing detours in long-haul flights between Europe and East Asia, which translates into longer flights and higher costs. Russia and Ukraine accounted for a combined 3% of global spending on international tourism in 2020 and at least US\$ 14 billion in global tourism receipts could be lost if the conflict is prolonged. The importance of both markets is significant for neighboring countries, but also for European sun and sea destinations. The Russian market also gained significant weight during the pandemic for long haul destinations such as Maldives, Seychelles or Sri Lanka. As destinations Russia and Ukraine accounted for 4% of all international arrivals in Europe but only 1% of Europe's international tourism receipts in 2020.

The World Tourism Organization (UNWTO) Panel of Experts survey in January 2022 indicates that 61% of tourism professionals expect better performance in 2022 than in 2021. However, 64% also believe international tourism will not return to 2019 levels until 2024 or later.

Sri Lankan Economy

The Sri Lankan economy rebounded in 2021, following the COVID 19 induced contraction in 2020. As per estimates, the Sri Lankan economy recorded a growth of 3.7% in 2021 in real terms compared to the contraction of 3.6% in 2020.

The Gross Domestic Product (GDP) at current market prices of Sri Lankan economy was estimated at US dollars 84.5 billion in 2020 compared to US dollars 81 billion in 2019. The per capita GDP was recorded at USD 3,815 in 2021 compared to USD 3,695 in the previous year.

The Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) stood at 5% and 6% as at end 2021. In April 2022, the Central Bank raised policy rates significantly by 700 basis points, the highest single day adjustment in recent history to arrest the buildup of excessive demand driven inflationary pressure.

The exchange rate was maintained at around Rs 200- 203 per USD during most of 2021 and until early March 2022. However, following the adjustment in exchange rate in March 2022 and subsequent market pressure, the Sri Lankan rupee depreciated sharply by 33% against the USD by end March 2022.

The year-on-year headline inflation based on CCPI accelerated to 12.1 percent by end 2021 from 4.2 percent at end 2020 this has further increased to 54.6% in June 2022 from 39.1% in May 2022. This increase in Y-o-Y inflation was driven by the monthly increases of both Food and Non-Food categories. Accordingly, Food inflation (Y-o-Y) increased to 80.1% in June 2022 from 57.4% in May 2022, while Non-Food inflation (Y-o-Y) increased to 42.4% in June 2022 from 30.6% in May 2022.

According to the Central Bank, Sri Lanka's economy is envisaged to grow modestly in the near term as the economy is to reset with a debt restructuring programme and long overdue structural reforms alongside an economic adjustment programme

Management Discussion and Analysis

to be supported by the IMF, which is expected to facilitate the economy in the medium term.

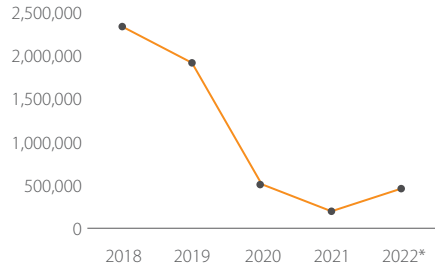
Sri Lankan Tourism

The global pandemic made an adverse impact on Sri Lankan tourism while it was recovering from the impact of the Easter attacks of 2019. Sri Lanka recorded an uptick in the number of foreign travelers visiting in the latter part of 2021.

Total arrivals neared 196,000 in 2021 and improved further during the first quarter of 2022 to 285,334 arrivals up to March 2022. March 2022 tourist arrivals surpassed the 100,000 (106,500) mark first time since February 2020. Russia, India, United Kingdom, Germany, and France were Sri Lanka’s top five tourism generating markets from September 2021 to March 2022, with India being the largest source of tourist traffic to Sri Lanka during this period. There was a steady increase in the number of arrivals from Russia up until February 2022, which saw a decline in March 2022, due to the Russia Ukraine conflict and the consequent sanctions imposed on Russia.

In addition to the pandemic, the economic crisis in Sri Lanka had an adverse impact on the tourism industry. This year, Sri Lankans have been grappling with long power cuts, severe shortages of fuel, gas and medicine, and soaring prices of food and other essentials. As unrest grew and protests spilled onto the streets, the government was forced to impose curfews and declare a state of emergency in April, and thereafter in May and July. The uncertainty and unrest and ensuing political uncertainty amid the worst economic crisis the country has faced since independence has meant that tourist arrivals dropped drastically from March 2022.

Tourist Arrivals to SL



*2022 arrivals up to July

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 and they are provided, periodic reports on financial performance on an annual and interim basis. Further regular communication is undertaken 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.

Employees

Employees play a critical role in Citrus' performance and growth, especially during the last few years, during which the Company was required to be responsive, and adaptive 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 pandemic and the current crisis.

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 systemised 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 have made negative impacts on the tourism industry during the year under review, the Company remains confident of its long-term prospects.

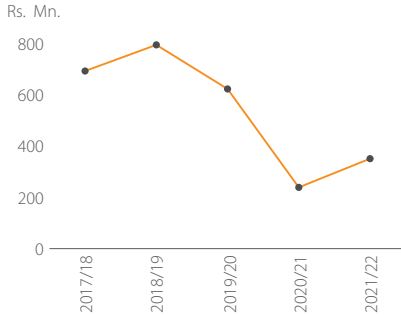
The prevailing economic condition in Sri Lanka doesn't bode well for the development of the tourism industry. But it is hoped that the government together with the private sector keep strategising and implementing a plethora of measures to facilitate the tourism industry and

promote Sri Lanka in target markets as a tourist destination. Tourism is Sri Lanka's low hanging fruit, and its resurgence will play an important role in resolving the country's economic crisis.

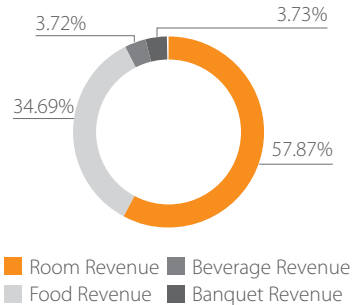
As Citrus Hotels & Resorts continues to work closely with all our stakeholders, we are confident that our efforts and their impact will boost the market as well as the sector in the years ahead.

Financial Performance

Revenue



Revenue Composition

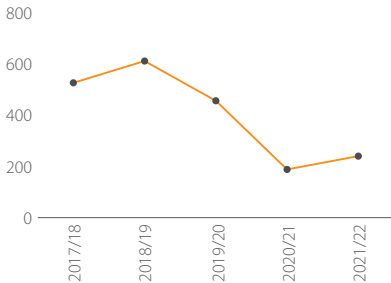


With the impact of COVID-19, the Hotel operated as an Intermediary Care Centre (ICC) to provide accommodation and medical care for asymptomatic and mild symptomatic COVID-19 patients with the collaboration with Kings Hospital Colombo. On 30th September 2021, the ICC operation was concluded and the Hotel reopened for foreign and Sri Lankan travelers from 01st November 2021 after a comprehensive refurbishment of the Hotel.

The Hotel generated Rs. 351 Mn revenue for the financial year under review and ICC operations contributed Rs. 145 Mn while normal hotel operations made Rs. 206 Mn with 47% YoY overall increase in revenue. The occupancy was 38% in current financial year compared to previous year recorded 34%.

Gross Profit

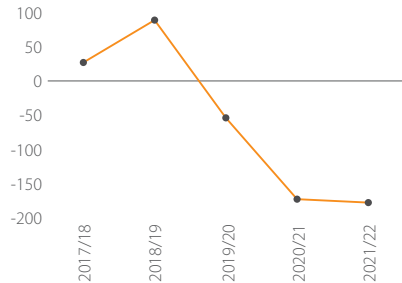
Rs. Mn.



Gross Profit of the Hotel for the year under review increased by 28% compared to previous year as the Hotel re-opened normal operations from November 2021 and was able to generate Rs. 112 Mn revenue over previous year. The main revenue generating areas like banquets, beverages and food shrank with the ICC operation in first half of the financial year. However above revenue has picked up once the Hotel commenced normal operations during the winter season.

Operating Profit/(loss)

Rs. Mn.



Although the Hotel revenue increased compared to previous year, incremental revenue was not sufficient to generate positive operating profit as most of the cost drivers increased with the country's economic recession. Also the Hotel incurred Rs. 15Mn on refurbishment after operating the Hotel as a quarantine and ICC nearly 20 months. However the Company implemented stringent cost controlling strategies to mitigate the negative impact on Company's profitability. These measures enabled the Company to limit its EBITDA losses to Rs. 183Mn in a situation where whole industry is struggling to generate top line revenue.

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

The Board of Directors of Waskaduwa Beach Resort PLC has pleasure in presenting to the shareholders their Annual Report on the affairs of the Company together with the Audited Financial Statements of the Company for the financial year ended 31st March 2022, conforming to all relevant statutory requirements.

This Report provides the information as required by the Companies Act, No. 07 of 2007, Listing Rules of the Colombo Stock Exchange and the recommended best practices.

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 10 to 15.

Financial Statements

The complete Financial Statements of the Company duly signed by two Directors on behalf of the Board are given on pages 68 to 131.

Auditors' Report

The Report of the Auditors on the Financial Statements of the Company is given on pages 63 to 67.

Accounting Policies

The accounting policies adopted by the Company in the preparation of financial statements are given on pages 72 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 7 to 9.

Executive Directors

Mr. D S Jayaweera

Ms. V S F Amunugama

Non-Executive Directors

Mr. S A Ameresekere

Mr. J M B Pilmatalawwe

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. R Seneviratne 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 74 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 2022 and 31st March 2021 were as follows:

Name of the Directors	As at 31.03.2022	As at 31.03.2021
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 Ameresekere	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 30.3.1 to the Financial Statements on page 125.

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 24 to 53 of the Annual Report.

Delegation of Authority

The Board has delegated the authority of the day to day management of the Company to the 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 the Board as a whole. The Board members ensure that Board responsibilities are satisfactorily discharged.

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

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, Statement of Cash Flows and Notes to Financial Statements appearing on pages 68 to 131 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards (LKAS/SLFRS), 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 22 to 23.

Independent Auditors

Messrs Ernst & Young, Chartered Accountants served as the Auditors of the Company during the year under review. The Auditors do not have any other relationship with the Company other than as Auditors of the Company who have also provided certain non-audit services. A total amount of Rs. 491,800/- is payable by the Company to the Auditors for the year under review. Rs. 395,000/- as audit fees and Rs. 96,800/- as non-audit fees respectively.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 31st August 2022 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 forthcoming Annual General Meeting.

The details of the fee payable to the Auditors have been set out under the Note 9 to the financial statements.

Stated Capital

The Stated Capital of the Company as at 31st March 2022 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 2021).

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 134 to 136 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 2022, 185 persons were in employment (191 persons as at 31st March 2021).

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 70 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 8.6 acres (1,378.6 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 31 on pages 126 to 130.

Donations

There were no any donations made by the Company 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.

The Report of the Audit Committee appears on pages 54 to 56.

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;

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

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

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 57 to 58.

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 59 to 60.

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 2022.

Related Party Transactions/Disclosures during the year

Presented below are the recurrent and non-recurrent related party transactions which required additional disclosures in the 2021/22 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, which 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 2021 audited financial statements, which requires an additional disclosure in the 2021/22 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

A declaration of recurrent Related Party Transactions during the period under review is given in below table.

Name of the Related Party	Relationship	Nature of the Transaction	Aggregate value of the Related Party Transactions Rs.	Terms and conditions	Aggregate value of Related Party Transactions as a % of Revenue
Hikkaduwa Beach Resort PLC	Parent	Funds Transferred (loans given)	34,000,000	Interest is charge at AWPLR (six (06) months)	14%
Hikkaduwa Beach Resort PLC	Parent	Funds received (loans obtained)	29,700,000	Interest is charge at AWPLR (six (06) months)	12%

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 except note number 29 to 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.

Special Business

The Directors have recommended amendments to the Articles of Association whereby the methods of holdings general meetings have been further expanded to include the holding of General Meetings on virtual platforms. Accordingly, a special resolution is placed before the shareholders at the forthcoming Annual General Meeting to obtain shareholders' approval for the said amendments to the Articles of Association.

Annual General Meeting

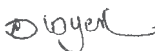
The Annual General Meeting of the Company will be held at Sri Lanka Foundation Institute, Lecture Hall No 03, No 100, Sri Lanka Padanama Mawatha, Independence Square, Colombo 07 on 26th September 2022 at 10.30 a.m.

The Notice of the Annual General Meeting is on pages 137 to 138 of this Report.

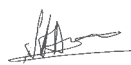
This Annual Report is signed for and on behalf of the Board of Directors by



E P A Cooray
Chairman



P W Corporate Secretarial (Pvt) Ltd
Secretaries



S A Ameresekere
Director

31 August 2022
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 63 to 67 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 68 to 131 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

A handwritten signature in black ink, appearing to read 'D. Jayarathne', is written over the text 'By Order of the Board of Waskaduwa Beach Resort PLC'.

P W Corporate Secretarial (Pvt) Ltd

31 August 2022
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.

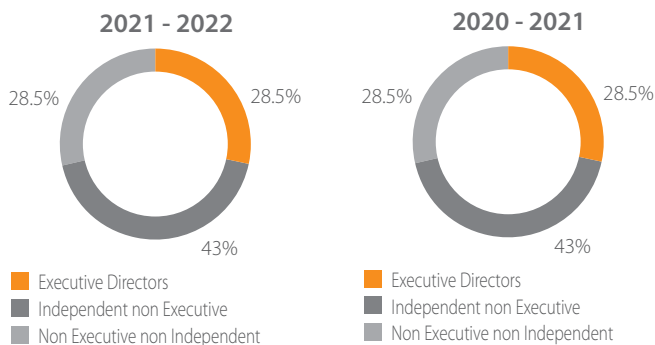
The Board provides strategic leadership and guidance and sets the tone to ensure that the development of the Company is based on values. We believe that our values are the driving force across the Company and are our guiding force for good governance.

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 2022.

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 Hotel enhances and uplifts 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 2021/22 is given below.

Name of Director	Status	2021			2022	Meetings Attended
		06.08.2021	31.08.2021	15.11.2021	15.02.2022	
Mr. E P A Cooray	NED/IND	√	Ex	√	√	3/4
Mr. D S Jayaweera	ED	√	√	√	Ex	3/4
Mr. R Seneviratne	NED/IND	√	Ex	Ex	√	2/4
Ms. V S F Amunugama	ED	√	√	√	Ex	3/4
Mr. J M B Pilimatalawwe	NED	√	√	Ex	√	3/4
Mr. S D De Mel	NED/IND	√	√	Ex	√	3/4
Mr. S A Ameresekere	NED	√	√	√	√	4/4

NED-Non Executive Director, IND-Independent Director, ED- Executive Director, Ex-Excused

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>Four (04) 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 2021/22. 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	<p>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,</p> <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.

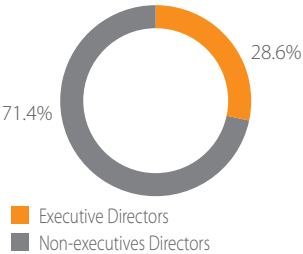
Corporate Governance

Corporate Governance Principle	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
				<ul style="list-style-type: none"> • 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. <p>Key decisions are reserved for the Board's approval and are not delegated to management. These include matters relating to the Company's strategy, approval of major acquisitions, disposals, capital expenditure, financial results and overseeing the Company's systems of internal control, governance and risk management. The Board delegates certain responsibilities to the management, to assist it in carrying out its functions of ensuring independent oversight.</p>


Corporate Governance Principle	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
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.
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		Compliant	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.

Corporate Governance

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

Corporate Governance Principle	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
				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.
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>A donut chart illustrating the composition of the Board. The chart is divided into two segments: a larger grey segment representing Non-executives Directors at 71.4%, and a smaller orange segment representing Executive Directors at 28.6%. A legend below the chart identifies the colors: orange for Executive Directors and grey for Non-executives Directors.</p>

Corporate Governance

Corporate Governance Principle	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
Non-executive Directors with sufficient calibre	A.5.1		Compliant	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.
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>40% 60%</p> <p> ■ Independent ■ Non-independent </p>

Corporate Governance Principle	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
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	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 2022 in accordance with section 07 of the CSE listing regulations on Corporate Governance. The biographical details of the Directors are set out on pages 7 - 9 of this report.
Alternative Director	A.5.6		Not Applicable	This principal is not applicable as an Alternate Director has not been appointed during the financial year 2021/22.
Senior Independent Director	A.5.7 & A.5.8		Not Applicable	This principal is not applicable as the Chairman is an Independent Non-executive Director.
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.

Corporate Governance

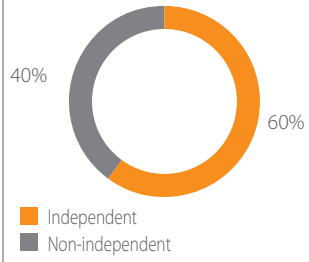
Corporate Governance Principle	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
Provision of adequate information on a timely basis to the Board	A.6.1 & A.6.2		Compliant	The minutes, agenda and the Board papers required for the Board meetings are provided to the Directors at least seven days before the meeting and management is obliged to provide the Board with relevant and timely information for effective decision making. Directors are also provided the opportunity to make enquiries from industry experts and professionals, senior management, auditors, central internal departments and the Company Secretary for further details and information as and when necessary.
Appointments to the Board	A.7	7.10.3 (d)	Compliant	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>

Corporate Governance Principle	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
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.
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 26th of September 2022 by the shareholders and the proposals for re-election are specified in Notice of Meeting section on pages 137 - 138.
Resignation	A.8.3		Not Applicable	There has not been a resignation of a Director during the year 2021/22.
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.

Corporate Governance

Corporate Governance Principle	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
Annual appraisal of Board performance and declaration of basis of performance	A.9.1, A.9.2, A.9.3 & A.9.4		Compliant	<p>Every year, the performance review provides the opportunity to reflect on the effectiveness of Board activities, the extent of deliberations, the quality of decisions and each Director's performance and contribution. The Board appraises their own performance based on the following aspects:</p> <ul style="list-style-type: none"> • Strategic planning and risk management. • Effectiveness of decision making. • Succession planning. • 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 7 - 9 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 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 Pilimalawwe - (NED /NID) - Chairman</p> <p>Mr. S A Ameresekere - (NED /NID)</p> <p>Mr. E P A Cooray - (NED / ID)</p> <p>Mr. R Seneviratne - (NED / ID)</p> <p>Mr. S D De Mel - (NED / ID)</p>



Corporate Governance

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 (04) 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 57 - 58.
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.

Corporate Governance Principle	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
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.
Disclosure of Remuneration	B.3	7.10.5(c)	Compliant	The remuneration to Directors is disclosed on page 125 under the note 30.3.1 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.
Communication with Shareholders	C.2		Compliant	The Board has implemented effective communication with shareholders.

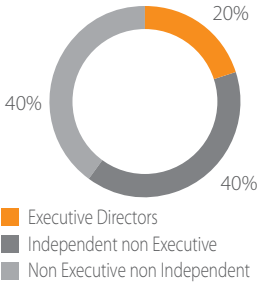
Corporate Governance

Corporate Governance Principle	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
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 59 - 60, and Note 30 of Notes to the Financial Statements.
Balanced and understandable presentation of Financial Statements	D.1.1		Compliant	<p>The Board is responsible for the preparation of Financial Statements that 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>

Corporate Governance Principle	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
The Board's responsibility on interim and other price sensitive public reports and reports to regulators	D.1.2		Compliant	The Board ensures that the Interim Financial Statements 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.
Annual Report of the Directors	D.1.4		Compliant	The Annual Report of the Board of Directors sets out the, <ul style="list-style-type: none"> a. 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.

Corporate Governance

Corporate Governance Principle	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
Responsibility of the Board for preparation and presentation of Financial Statements and Statement of Internal Controls	D.1.5		Compliant	The Audit Report on pages 63 - 67 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.
Management Discussion Analysis	D.1.6		Compliant	The "Management Discussion Analysis" of this Annual Report contains, among other issues; Industry Review (Pages 10 - 12) Stakeholder Relationships (Pages 12 - 13) Financial Performance (Pages 14 - 15) Prospects for the future (Page 13 - 14) Risk Management (Pages 61 - 62)
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.

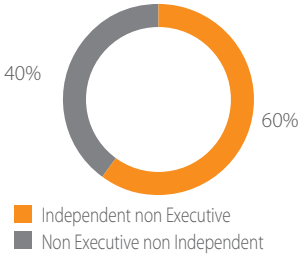
Corporate Governance Principle	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details								
Disclosure of Related Party Transactions	D.1.8		Compliant	<p>The Related Party Transactions Review Committee, which is a subcommittee of the Board, is responsible for review and disclosure 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 Mr. S. D. De Mel - (NED / ID) Mr. P. C. B. Talwatte - (ED) Mr. P. V. S. Premawardhana - (NED / NID) Mr. S. A. Ameresekere - (NED / NID)</p>  <table border="1"> <caption>Composition of Related Party Transactions Review Committee</caption> <thead> <tr> <th>Category</th> <th>Percentage</th> </tr> </thead> <tbody> <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> </tbody> </table>	Category	Percentage	Executive Directors	20%	Independent non Executive	40%	Non Executive non Independent	40%
Category	Percentage											
Executive Directors	20%											
Independent non Executive	40%											
Non Executive non Independent	40%											

Corporate Governance

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 59 to 60.</p> <p>The Related Party Transactions Review Committee met four (04) 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 (24) Related Party Transactions are disclosed under Note no. 30 to the Financial Statements.</p>
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>

Corporate Governance Principle	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
				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.
Effective System of Internal Controls & Risk Management Process	D.2.1		Compliant	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.
Disclosure on Risk Assessment and Mitigation	D.2.2		Compliant	The Audit Committee Report and Risk Management Report set in pages 54 to 56 and pages 61 to 62 respectively explains the risk assessment procedure, including those that would threaten its business model, future performance, solvency and liquidity; and specific risk mitigation strategies.
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.

Corporate Governance

Corporate Governance Principle	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
Responsibilities of the Directors in maintaining a sound system of Internal Controls	D.2.5		Compliant	The “Statement of Directors Responsibility” on pages 22 to 23 provides the declaration made by Directors accepting the responsibility to ensure that the Company is equipped with a sound system of internal controls.
Audit Committee	D.3	7.10.6	Compliant	The Board has established a formal and transparent process of Financial Reporting, Internal Controls, Risk Management and maintaining a proper relationship with the Company’s Auditors.
Composition and the Duties of the Audit Committee	D.3.1 & D.3.2	7.10.6(a) , 7.10.6(b) & 7.10.6(c)	Compliant	<p>The Audit Committee comprises exclusively of Non-executive Directors out of whom three are Independent Directors and two are Non independent Directors.</p> <p>The members of the Audit Committee are as follows:</p> <p>Mr. E P A Cooray - (NED / ID) - Chairman Mr. R Seneviratne - (NED / ID) Mr. S D De Mel - (NED / ID) Mr. P V S Premawardhana - (NED / NID) Mr. S A Ameresekere - (NED / (NID)</p>  <p>40% 60%</p> <p> ■ Independent non Executive ■ Non Executive non Independent </p>

Corporate Governance Principle	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
				<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 54 - 56.</p> <p>The Audit Committee met four (04) times during the year.</p>
Disclosure of the names of the Audit Committee and the Audit Committee Report	D.3.3		Compliant	The names of Directors in the Audit Committee are disclosed in the D.3.1 section and the manner of compliance with the Code of Best Practice by the Company is set out in the Audit Committee Report on pages 54 - 56 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".

Corporate Governance

Corporate Governance Principle	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
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 59 to 60.
Adoption of Code of Business Conduct & Ethics and Chairman's affirmation	D.5 – D.5.4		To be complied	Adoption of a Code of Business Conduct and Ethics for Directors and members of senior management team is yet to be complied by the Company.
Corporate Governance Disclosure	D.6		Compliant	The Corporate Governance section of the annual report from pages 24 to 53 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.

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

Corporate Governance

Corporate Governance Principle	Ref. to ICASL code	Ref. to SEC code	Compliance Status	Compliance Details
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.
Disclosure on Cybersecurity Risk Management	G.5		Compliant	Risk Management Report set in pages 61 to 62 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 four 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 01.04.2021 to 31.03.2022 is as follows;

Name of the Director	Status	2021			2022	Meetings Attended
		06.08.2021	31.08.2021	15.11.2021	15.02.2022	
Mr. E P A Cooray (Chairman)	NED/IND	√	Ex	√	√	3/4
Mr. S D De Mel	NED/IND	√	√	Ex	√	3/4
Mr. P V S Premawardhana	NED	√	√	√	√	4/4
Mr. S A Ameresekere	NED	√	√	√	√	4/4
Mr. R Seneviratne	NED/IND	√	Ex	Ex	√	2/4

NED-Non Executive Director, IND-Independent Director, Ex-Excused

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 four times during the financial year ended 31st March 2022.

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 audits.

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 2022/23.

Re-appointment of Auditors

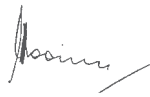
The Audit Committee, having considered the External Auditors' performance during their period in office, recommends their re-appointment for the financial year ending 31st March 2023, subject to the approval of the shareholders at the next Annual General Meeting. A full breakdown of the audit and non-audit 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 2022
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 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

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 01.04.2021 to 31.03.2022 is as follows;

Name of the Director	Status	2021			2022	Meetings Attended
		31.05.2021	06.08.2021	15.11.2021	15.02.2022	
Mr. J M B Pilimalawwe (Chairman)	NED	√	√	Ex	√	3/4
Mr. E P A Cooray	NED/IND	√	√	√	√	4/4
Mr. R Seneviratne	NED/IND	√	√	Ex	√	3/4
Mr. S D De Mel	NED/IND	√	√	Ex	√	3/4
Mr. S A Ameresekere	NED	√	√	√	√	4/4

NED-Non Executive Director, IND-Independent Director, Ex-Excused

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

Remuneration Committee Report

and its Executives and in designing competitive compensation packages, the Committee consciously balances the short-term performance with medium to long-term goals of the Company.

Scope

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

Fees

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

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 2022
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 01.04.2021 to 31.03.2022 is as follows;

Name of the Director	Status	2021			2022	Meetings Attended
		31.05.2021	06.08.2021	15.11.2021	15.02.2022	
Mr. E P A Cooray (Chairman)	NED/IND	√	√	√	√	4/4
Mr. S A Ameresekere	NED	√	√	√	√	4/4
Mr. P V S Premawardhana	NED	√	√	√	√	4/4
Mr. S D De Mel	NED/IND	√	√	Ex	√	3/4
Mr. P C B Talwatte	ED	√	√	√	√	4/4

NED-Non Executive Director, IND-Independent Director, ED-Executive Director, Ex-Excused

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 & reporting and also communicated the comments/ observations to the Board of Directors.

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

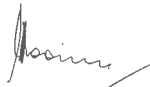
accordance with Sri Lanka Accounting Standard 24 (LKAS 24) are disclosed under Note No. 30 to the Financial Statements.

Key Management Personnel

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

Declaration

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 20 to 21 of the Annual Report.



E P A Cooray

Chairman
Related Party Transactions Review Committee

31 August 2022
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
<p>1. Global Pandemic Outbreak</p> <p>COVID-19 has had a material detrimental impact on our business, financial results and liquidity.</p>	<ul style="list-style-type: none"> • Follow latest guidance and recommendations of government, global health agencies and public health officials on implementation of appropriate health and safety measures for staff and guests, to curb the spread of disease at the Hotel property. • Loan moratorium in place for interest and capital repayment until June 2022 and further extension requested from banks and positive responses were received. This will be easing cash-flow constraints for FY 2022-23. • Defer non-essential capital expenditures • The Board to monitor all possible cash flow positions and mitigating factors.
<p>2. Shortages in supply chain</p> <p>Shortage of supply can make drastic adverse impact on the Hotel operation.</p> <p>Eg. Gas, Fuel, Vegetable</p>	<ul style="list-style-type: none"> • Maintain close relationship with suppliers. • Change the menus to inline with the available products. • Find alternative suppliers or alternative products.
<p>3. Safety at the Hotel</p> <p>Safety of our guests and staff at our hotel is our number one priority</p>	<ul style="list-style-type: none"> • Adhere to latest protocols on hygiene and cleaning at the Hotel property • Awareness training on COVID-19 for guests and staff. • Comprehensive health & safety policy framework with implementation responsibility at multiple levels • A strong safety culture at the Hotel with regular fire drills, disaster recovery plans and high levels of risk awareness • Implementation of additional security checks prior to entry to the property • Regular debriefing of staff on security related information

Risk Management

Risk	Mitigation Strategies
<p>4. Increasing competition</p> <p>Increased number of hotels leading to intense competition and lower margins</p>	<ul style="list-style-type: none"> • Brand development initiatives to enhance loyalty • Differentiated offerings in our property • Continues monitoring of competitors.
<p>5. Retention of skilled talent pools</p> <p>High staff turnover in key segments such as travels and hotels</p>	<ul style="list-style-type: none"> • Strengthening rewards and benefit schemes. • Comprehensive talent management program to build talent pipelines including succession planning. • Updating Human Resources policies and practices cognisant to trends in the industry.
<p>6. Interest Rate Risk</p> <p>Exposure to movements in market interest rates related to borrowings</p>	<ul style="list-style-type: none"> • The Group's finance division continues to negotiate with banks and financial institutions to secure the best possible rates for the Company's borrowings and investments.
<p>7. Exchange rate Risk</p> <p>Exposure to movements of foreign currency exchange rates.</p>	<ul style="list-style-type: none"> • Enter into sales contracts with tour operators in USD. • Regularly offering prices are reviewed to inline with the exchange rate fluctuations.
<p>8. Reputation Risk</p> <p>Social media has elevated this key risk for the hospitality industry as every guest and stakeholder is a potential influencer.</p>	<ul style="list-style-type: none"> • Maintaining high standards of service at the Hotel through investments in infrastructure and training of staff to deliver consistently positive guest experiences. • Monitoring social media and guest reviews on aggregator sites by a dedicated team. • A hospitality mindset supports our legacy and we are careful to nurture it through communication and a balanced assessment of performance.
<p>9. Credit Risk</p> <p>Risk of loss arising from debtors' inability to meet their financial obligations on time</p>	<ul style="list-style-type: none"> • Comprehensive credit policies and procedures are in place to verify the creditworthiness and determine the potential credit risk associated with a client. • Regular follow-up on debtors.
<p>10. Cyber Risk</p> <p>All significant processes are supported by one or many Internet driven services</p>	<ul style="list-style-type: none"> • Well-defined group-wide cyber security incident response process. • Implementation of network protection technology to manage network perimeter defence, data loss, distributed denial of service attack, mobile devices and monitor suspicious cyber activities together with regular testing and verification of controls.

Independent Auditors' Report



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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 2022, and the statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 March 2022, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

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

Key audit matters

Key audit matters are those matters that, in our professional 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 fair value of land and buildings:</p> <p>Property, Plant and Equipment include land and buildings carried at fair value.</p> <p>This was a key audit matter due to:</p> <ul style="list-style-type: none"> Materiality of the reported land & buildings balances which amounted to Rs. 4,809 Mn and represents 96% of the total assets the degree of assumptions, judgements and estimation uncertainties associated with assessing the fair value of land and buildings such as reliance on comparable market transactions, and current market conditions. <p>Key areas of significant judgements, estimates and assumptions used in assessing the fair value of the land and buildings, as disclosed in notes 14, included judgements involved in ascertaining the appropriateness of valuation techniques and estimates such as:</p> <ul style="list-style-type: none"> Estimate of per perch value of the land Estimate of the per square foot value of the buildings 	<p>Our audit procedures included the following;</p> <ul style="list-style-type: none"> Assessed the competency, capability and objectivity of the external valuer engaged by the Company. Read the external valuer's report and understood the key estimates made and the approach taken by the valuer in determining the valuation of each property Assessed the reasonableness of the significant judgements, estimates and assumptions made by the valuer including the appropriateness of valuation techniques, per perch price and value per square foot We have also assessed the adequacy of the disclosures made in notes 14 to the financial statements.



<p>Interest Bearing Borrowings:</p> <p>As of the reporting date, the Company reported total interest-bearing borrowings of Rs. 1,982 Mn of which Rs. 174 Mn is reported as current liabilities and the balance Rs. 1,808 Mn as non-current liabilities.</p> <p>Interest bearing borrowings was a key audit matter due to:</p> <ul style="list-style-type: none"> • the magnitude of the interest bearing borrowings, and • appropriateness of disclosures including liquidity risk management, maturity profile and current vs non-current classification of such borrowings in the financial statements 	<p>Our audit procedures included the following;</p> <ul style="list-style-type: none"> • obtained an understanding of the terms and conditions attached to borrowings, by perusing the loan agreements. We also factored in available moratoriums facilities and revisions to financing arrangements made during the year, • We assessed the maturity profile of the Company's interest-bearing borrowings focusing on the management's plans to meet the debt obligations maturing within the next twelve months and working capital requirements. <p>We also, assessed the adequacy of the disclosures made in Notes 23 and 31.4 to the Financial Statements.</p>
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Other information included in the 2022 Annual Report

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance 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.

Independent Auditors' Report



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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

We also provide those charged with governance with a statement that we have complied with 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 2022

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 R H L Fonseka FCA D N Gamage ACA ACMA A P A Gomesokeig FCA FCMA A Hereth FCA
 D K Hulangamuwa FCA FCMA LLB (London) Ms. A A L Udawake FCA FCMA Ms. G G S Manalunga FCA A A J R Perera ACA ACMA Ms. P V A N Sajeewani FCA
 N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

Principals: G B Goudian ACMA Ms. P S Parana/Rane 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	2022 Rs.	2021 Rs.
Revenue from contracts with customers	6	350,847,137	238,607,096
Cost of sales		(111,063,242)	(50,576,044)
Gross profit		239,783,895	188,031,052
Other income and gains	7	9,883,725	394,232
Administrative expenses		(243,689,454)	(222,326,868)
Operating expenses		(182,496,818)	(137,544,924)
Selling and marketing expenses		(6,434,909)	(1,955,908)
Operating loss		(182,953,561)	(173,402,417)
Finance cost	8.2	(159,009,019)	(166,999,035)
Finance income	8.1	2,003,489	6,436,515
Loss before tax	9	(339,959,091)	(333,964,937)
Tax expense	10	(572,997)	(1,261,477)
Loss for the year		(340,532,088)	(335,226,414)
Other comprehensive income/(loss)			
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods			
Revaluation gain on land & building		888,289,601	377,609,219
Deferred tax effect on revaluation of land and building		(124,360,544)	(52,865,291)
Actuarial gain / (loss) on defined benefit plan	24.1	(1,114,341)	(379,044)
Income tax effect on actuarial gain / (loss)		156,008	53,066
Other comprehensive income/(loss) for the year, net of tax		762,970,723	324,417,950
Total comprehensive income/(loss) for the year, net of tax		422,438,636	(10,808,464)
Basic/diluted loss per share	11	(0.61)	(0.60)

Figures in brackets indicate deductions.

The accounting policies and notes on pages 72 through 131 form an integral part of these financial statements.

Statement of Financial Position

As at 31 March	Note	2022 Rs.	2021 Rs.
ASSETS			
Non-current assets			
Property, plant and equipment	14	5,024,014,256	4,258,969,347
Other receivables - related parties	17	-	52,361,295
Intangible assets	15	312,641	866,592
		5,024,326,897	4,312,197,234
Current assets			
Inventories	16	19,618,132	13,527,663
Trade and other receivables	17	33,054,559	15,733,759
Advances and prepayments	18	18,488,035	14,151,641
Tax receivable	19	752,996	6,213,737
Cash and cash equivalents	20	26,581,767	24,465,548
		98,495,489	74,092,348
Total assets		5,122,822,386	4,386,289,582
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	21	2,901,702,750	2,901,702,750
Revaluation reserve	22	1,832,460,988	1,068,531,931
Accumulated losses		(2,188,325,700)	(1,846,835,279)
Total equity		2,545,838,038	2,123,399,402
Non-current liabilities			
Interest bearing loans and borrowings	23	1,808,998,458	1,601,353,213
Other payables - related parties	25	28,561,494	-
Deferred tax liability	10.2	297,290,724	172,994,028
Retirement benefit obligation	24	11,099,399	9,610,163
		2,145,950,075	1,783,957,404
Current liabilities			
Trade and other payables	25	244,565,565	255,164,179
Interest bearing loans and borrowings	23	173,692,807	220,209,513
Contract liability	26	12,775,902	3,559,084
		431,034,273	478,932,776
Total equity and liabilities		5,122,822,386	4,386,289,582

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 72 through 131 form an integral part of these financial statements.

31 August 2022

Colombo

Statement of Changes in Equity

	Stated Capital Rs.	Revaluation Reserves Rs.	Accumulated Losses Rs.	Total Rs.
Balance as at 01 April 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/(loss)	-	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
Loss for the year	-	-	(340,532,088)	(340,532,088)
Other comprehensive income/(loss)	-	763,929,057	(958,334)	762,970,723
Total comprehensive income/(loss)	-	763,929,057	(341,490,421)	422,438,636
Balance as at 31 March 2022	2,901,702,750	1,832,460,988	(2,188,325,700)	2,545,838,038

The accounting policies and notes on pages 72 through 131 form an integral part of these financial statements.

Statement of Cash Flows

Year ended 31 March	Note	2022 Rs.	2021 Rs.
Cash flows from / (used in) operating activities			
Net loss before income tax expenses		(339,959,091)	(333,964,937)
Adjustments for :			
Depreciation	14.2	145,756,057	143,730,213
Amortisation of right of use assets		-	2,098,425
Amortisation of intangible assets	15	553,951	604,556
Provision for retirement benefit obligation	24.1	2,512,857	2,652,412
Write off of economic service charge receivables		4,979,903	-
Impairment of trade receivables		-	2,267,255
Gain on disposal of property, plant and equipment	7	(875,824)	(308,093)
Finance income	8.1	(2,003,489)	(6,436,515)
Finance cost	8.2	159,009,019	166,999,035
Operating loss before working capital changes		(30,026,617)	(22,357,649)
Decrease/(increase) in trade & other receivables		(16,031,964)	47,856,994
Decrease/(increase) in inventories		(6,090,469)	2,152,622
Increase in other non-financial assets		(4,336,394)	(1,190,993)
Increase/(decrease) in trade & other payables		44,136,281	(32,342,936)
Increase/(decrease) in contract liabilities		9,216,818	(20,904,745)
Cash generated from/(used) in operations		(3,132,345)	(26,786,707)
Retirement benefit obligation paid	24	(2,137,962)	(527,736)
Finance cost paid		(9,466,703)	(8,328,111)
Net Cash used in operating activities		(14,737,010)	(35,642,554)
Cash flows used in investing activities			
Acquisition of property, plant and equipment	14.4	(22,691,534)	(2,123,643)
Proceeds from disposal of property, plant and equipment		875,824	308,093
Finance income received		714,653	1,084,753
Net cash flows used in investing activities		(21,101,057)	(730,797)
Cash flows from financing activities			
Proceeds from interest bearing loans & borrowings		-	24,800,000
Net Financed from related parties		81,102,958	14,672,427
Principal Payment under finance lease liabilities		-	(2,337,252)
Net cash from financing activities		81,102,958	37,135,175
Net increase in cash and cash equivalents		45,264,891	761,824
Cash and cash equivalents at the beginning of the year		(131,366,441)	(132,128,265)
Cash and cash equivalents at the end of the year (Note A)		(86,101,550)	(131,366,441)
Note A			
Analysis of cash and cash equivalents			
Cash in hand and cash at bank	20	3,856,344	2,476,743
Short term deposits with original maturity less than three months	20	22,725,423	21,988,805
Bank overdrafts	23	(112,683,317)	(155,831,989)
Total cash and cash equivalents		(86,101,550)	(131,366,441)

The accounting policies and notes on pages 72 through 131 form an integral part of these financial statements.

Notes to the Financial Statements

Year ended 31 March 2022

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

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

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.

1.3 Date of Authorisation for Issue

The Financial Statements of Waskaduwa Beach Resort PLC for the year ended 31 March 2022 were authorized for issue in accordance with the resolution of the Board of Directors on 31st August 2022.

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.

Going Concern

In determining the basis of preparing the financial statements for the year ended 31 March 2022, based on available information, the management has assessed the impact of existing economic circumstances on the Company and the appropriateness of the use of the going concern basis. The Company evaluated the resilience of its businesses by considering a wide range of factors under multiple scenarios, relating to expected revenue, cost management, profitability, ability to defer non-essential capital expenditure, debt repayment, and the amount of undrawn borrowing facilities, and potential sources of financing facilities.

Having evaluated Company by the Board of Directors, 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.

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

Notes to the Financial Statements

Year ended 31 March 2022

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.

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.

Notes to the Financial Statements

Year ended 31 March 2022

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 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.

Notes to the Financial Statements

Year ended 31 March 2022

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 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.

Notes to the Financial Statements

Year ended 31 March 2022

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 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.

Notes to the Financial Statements

Year ended 31 March 2022

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 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 17

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.

Notes to the Financial Statements

Year ended 31 March 2022

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.

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

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Year ended 31 March 2022

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 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 24. 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.

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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 STANDARDS

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021.

Amendments to SLFRS 16 COVID-19 Related Rent Concessions beyond 30th June 2021

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 which have been extended up to June 2022.

The following amendments and improvements are not expected to have a significant impact on the Company's financial statements.

- Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 : Interest Rate Benchmark Reform - Phase 2.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following amendments and improvements are not expected to have a significant impact on the Company's financial statements.

- SLFRS 17 - Insurance Contracts
- Amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets : Onerous Contracts – Costs of Fulfilling a Contract
- Amendments to LKAS 16 Property, Plant & Equipment : Proceeds before Intended Use
- Amendments to SLFRS 3 Business Combinations: Updating a reference to conceptual framework

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	32
Financial instruments risk management and policies	31
Sensitivity analyses disclosures	24.3

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

Notes to the Financial Statements

Year ended 31 March 2022

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 24.

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 economic recession 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.

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.

Management's Assessment of the impacts of the current economic situation on the operations of the Company

The Directors, after making necessary inquiries and reviews including reviews of the Hotel budgets for the ensuing year. Capital expenditure requirements, future prospects along with risks, cash flows and borrowing facilities have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the going concern basis has been adopted in the

preparation of the Financial Statements. In determining the basis of preparing the financial statements for the year ended 31 March 2022, based on available information, the management has assessed the existing and anticipated effects of current economic situation on the Company.

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

Notes to the Financial Statements

Year ended 31 March 2022

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

	2022 Rs.	2021 Rs.
Hotel income (Note 6.1.1)	350,847,137	238,607,096
	350,847,137	238,607,096

6.1.1 Segmentation of the revenue

	2022 Rs.	2021 Rs.
Rooms revenue	202,406,486	167,335,799
Food revenue	121,332,930	70,658,112
Beverage revenue	13,013,193	418,122
Banquet revenue	13,030,218	195,063
Laundry revenue	436,386	-
Spa revenue	627,924	-
	350,847,137	238,607,096

7. OTHER INCOME AND GAINS

	2022 Rs.	2021 Rs.
Telephone income	44	2,686
Gift shop sales	89,109	-
Gain on sale of property, plant, and equipment	875,824	308,093
Gain on foreign currency encashment	63,565	5,767
Other sundry income *	8,855,183	77,686
	9,883,725	394,232

* Other sundry income includes the other income received from Kings Hospital with regard to the services provided under Intermediary Care Centre operation

Notes to the Financial Statements

Year ended 31 March

8. FINANCE COSTS AND INCOME

8.1 Finance Income

	2022 Rs.	2021 Rs.
Interest income on fixed deposits and savings accounts	767,349	1,126,182
Interest on related party receivables	1,236,140	5,310,333
	2,003,489	6,436,515

8.2 Finance Cost

	2022 Rs.	2021 Rs.
Interest expense on bank overdrafts	14,256,587	14,871,120
Interest expense on bank loans	143,566,171	151,576,353
Interest on related party payables	686,261	-
Mortgage fee	500,000	500,000
Interest expenses on lease liabilities	-	51,562
	159,009,019	166,999,035

9. LOSS BEFORE TAX

	2022 Rs.	2021 Rs.
Loss before tax is stated after charging all the expenses including following;		
Costs of defined employee benefits		
- Salaries and wages	67,562,524	74,798,508
- Defined benefit plan costs - gratuity	2,512,857	2,652,410
- Defined contribution plan costs - EPF and ETF	10,134,379	11,220,625
Depreciation	145,756,057	143,730,213
Amortisation of intangible assets	553,951	604,556
Amortisation of right of use assets	-	2,098,425
Impairment of trade receivables	-	2,267,255
Donations	-	3,695
Business Promotions & Advertising cost	3,629,109	2,422,886
Auditors' remuneration		
- Statutory audit fee	395,000	380,000
- Taxation fee	96,800	93,000

10. TAX EXPENSE

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

	2022 Rs.	2021 Rs.
Current income tax		
Current income tax charge on other sources of income (Note 10.1)	480,837	1,544,764
	480,837	1,544,764
Deferred tax expenses		
Deferred tax expenses /(reversal) (Note 10.2.2)	92,160	(283,287)
Income tax expense reported in the statement of profit or loss	572,997	1,261,477

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

	2022 Rs.	2021 Rs.
Accounting loss before income tax	(339,959,091)	(333,964,937)
Disallowed expenses	165,994,367	152,020,641
Deductible expenses	(289,575,757)	(276,520,656)
Business loss (Note 10.1.2)	(463,540,480)	(458,464,952)
Other sources of income		
Interest income	2,003,489	6,436,515
Total statutory income	2,003,489	6,436,515
Tax losses deducted against other sources of income	-	-
Total taxable income	2,003,489	6,436,515
Income tax on other sources of income at 24%	480,837	1,544,764

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% (2020/21 : 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

	2022 Rs.	2021 Rs.
At the beginning of the year	172,994,028	120,465,090
Recognised in profit or loss	92,160	(283,287)
Recognised in other comprehensive income	124,204,536	52,812,225
At the end of the year	297,290,724	172,994,028
Net deferred tax liability relate to the following;		
Defined benefit obligation	(1,553,917)	(1,345,424)
Capital allowances for tax purpose	537,038	392,393
Revaluation of land and building	298,307,603	173,947,059
Net deferred tax liability	297,290,724	172,994,028

10. TAX EXPENSE (Contd.)

10.2.2 Statement of profit or loss

	2022 Rs.	2021 Rs.
Deferred tax expense/ (reversal) arising from		
- Capital allowances for tax purpose	144,645	14,168
- Defined benefit obligation	(52,485)	(297,455)
Total deferred tax expense/ (reversal) for the year	92,160	(283,287)

10.2.3 Statement of other comprehensive income

	2022 Rs.	2021 Rs.
Deferred tax expense/ (reversal) arising from		
- Defined benefit obligation	(156,008)	(53,066)
- Revaluation of land/ building	124,360,544	52,865,291
Total deferred tax expense/(reversal) for the year	124,204,536	52,812,225

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.

	2022 Rs.	2021 Rs.
Amount used as the numerator:		
Net loss for the year	(340,532,088)	(335,226,414)
Number of ordinary shares used as denominator:		
Weighted average number of ordinary shares in issue applicable to basic loss per share	559,857,096	559,857,096
Basic/diluted loss per share (Rs.)	(0.61)	(0.60)

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	2022		2021	
	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	-	33,054,559	-	68,095,054
Short term bank deposit	-	22,725,423	-	21,988,805
	-	55,779,982	-	90,083,859

As at 31 March	2022		2021	
	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	-	1,982,691,264	-	1,821,562,726
Trade and other payables	-	273,127,059	-	255,164,179
	-	2,255,818,323	-	2,076,726,904

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 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.

13. FAIR VALUE MEASUREMENT

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

As at 31 March		2022					
		Fair Value Measurement Using					
Assets measured at fair value	Note	Date of valuation	Quoted	Significant	Significant	Total Fair Value	
			prices in active markets Level 1	observable inputs Level 2	unobservable inputs Level 3		
			Rs.	Rs.	Rs.	Rs.	
Non-financial assets							
Property, plant & equipment							
- Freehold land	14	31 March 2022	-	-	1,194,320,000	1,194,320,000	
- Buildings	14	31 March 2022	-	-	3,615,000,000	3,615,000,000	
			-	-	4,809,320,000	4,809,320,000	
As at 31 March							
Assets measured at fair value		2021					
		Fair Value Measurement Using					
Assets measured at fair value	Note	Date of valuation	Quoted	Significant	Significant	Total Fair Value	
			prices in active markets Level 1	observable inputs Level 2	unobservable inputs Level 3		
			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	

Notes to the Financial Statements

Year ended 31 March

14. PROPERTY, PLANT AND EQUIPMENT 14.1 Gross carrying amounts

	Balance as at 01.04.2021 Rs.	Additions Rs.	Disposal Rs.	Transfer on Revaluation Rs.	Revaluation Rs.	Balance as at 31.03.2022 Rs.
At Cost / valuation						
Freehold land	1,102,384,000	-	-	-	91,936,000	1,194,320,000
Buildings	2,897,996,115	5,903,865	-	(85,253,581)	796,353,601	3,615,000,000
Motor vehicle	1,150,766	-	-	-	-	1,150,766
Computer and hardware	18,138,808	1,675,563	-	-	-	19,814,371
Machinery and other equipment	131,504,597	63,000	-	-	-	131,567,597
Electrical fittings and equipment	77,252,355	367,638	-	-	-	77,619,993
Kitchen, bar utensils and other equipment	126,914,304	774,140	(228,261)	-	-	127,460,183
Entertainment and security equipment	58,078,151	5,040,303	-	-	-	63,118,454
Air condition systems	183,781,638	-	-	-	-	183,781,638
Furniture and fittings	194,426,972	839,780	-	-	-	195,266,752
Furnishing and linen	57,551,122	7,823,221	(2,350,403)	-	-	63,023,940
Cutlery crockery and glassware	8,867,235	204,024	(875,824)	-	-	8,195,435
Generator and transformers	38,278,199	-	-	-	-	38,278,199
Total gross carrying amount	4,896,324,263	22,691,534	(3,454,488)	(85,253,581)	888,289,601	5,718,597,329

14.2 Depreciation

	Balance as at 01.04.2021 Rs.	Charge for the Year Rs.	Disposals Rs.	Transfer on Revaluation	Balance as at 31.03.2022 Rs.
At Cost/ Valuation					
Buildings	-	85,253,581	-	(85,253,581)	-
Motor vehicle	1,150,766	-	-	-	1,150,766
Computer and hardware	17,210,619	761,894	-	-	17,972,513
Machinery and other equipment	87,144,647	13,150,995	-	-	100,295,643
Electrical fittings and equipment	51,124,670	7,736,325	-	-	58,860,996
Kitchen, bar utensils and other equipment	83,853,368	12,688,598	(48,091)	-	96,493,875
Entertainment and security equipment	49,247,645	3,938,150	-	-	53,185,795
Air condition systems	80,916,936	12,252,109	-	-	93,169,045
Furniture and fittings	188,880,765	2,349,516	-	-	191,230,281
Furnishing and linen	53,377,470	3,886,231	(2,350,403)	-	54,913,298
Cutlery crockery and glassware	7,230,361	1,186,777	(875,824)	-	7,541,314
Generator and transformers	17,217,669	2,551,880	-	-	19,769,549
Total depreciation	637,354,916	145,756,057	(3,274,318)	(85,253,581)	694,583,074

Notes to the Financial Statements

Year ended 31 March

14. PROPERTY, PLANT AND EQUIPMENT (Contd.)

14.3 Net book values

	2022 Rs.	2021 Rs.
At Cost/ Valuation		
Freehold land	1,194,320,000	1,102,384,000
Buildings	3,615,000,000	2,897,996,115
Computer and hardware	1,841,859	928,190
Machinery and other equipment	31,271,955	44,359,950
Electrical fittings and equipment	18,758,997	26,127,684
Kitchen, bar utensils and other equipment	30,966,308	43,060,936
Entertainment and security equipment	9,932,660	8,830,506
Air condition systems	90,612,593	102,864,702
Furniture and fittings	4,036,471	5,546,207
Furnishing and linen	8,110,642	4,173,652
Cutlery crockery and glassware	654,121	1,636,874
Generator and transformers	18,508,651	21,060,531
Total carrying amount of property, plant & equipment	5,024,014,256	4,258,969,347

- 14.4** During the Financial year, the Company acquired Property, plant & equipment to an aggregate value of Rs.22,691,534/- (2021 - Rs.3,310,705/-) . Cash payments amounting to Rs.22,691,534/- (2021 - Rs.2,123,643/-) 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.345,109,558/- (2021 -Rs.343,740,830/-)
- 14.6** The land and buildings belonging to Waskaduwa Beach Resorts PLC, situated at No. 427, Samanthara Road, Kudawaskaduwa, Kaluthara were revalued by independent professional valuers, FRT Valuation Services (Private) Limited, as at 31 March 2022. The results of such revaluation were incorporated in these financial statements from its effective date which is 31 March 2022. 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. PROPERTY, PLANT AND EQUIPMENT (Contd.)**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 2022

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	1,378.60	31-Mar-22	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. 866,328/- per perch	1,194.32
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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) Rs. Mn	
	Room Area	Other Area		Room Area	Other Area		
Building							
Waskaduwa	Ground floor	14,912	75,366	Depreciated replacement cost	Rs. 19,320/- per Sq.ft	Rs. 14,280/- per Sq.ft	1,364.33
	First floor	16,776	54,132	Depreciated replacement cost	Rs. 19,320/- per Sq.ft	Rs. 9,240/- per Sq.ft	824.29
	Second floor	16,776	15,127	Depreciated replacement cost	Rs. 19,320/- per Sq.ft	Rs. 9,240/- per Sq.ft	463.88
	Third floor	25,287	12,105	Depreciated replacement cost	Rs. 19,320/- per Sq.ft	Rs. 9,240/- per Sq.ft	600.39
	Roof Top and Other		33,259	Depreciated replacement cost		Rs. 5,880/- and Rs. 7,560/- per Sq.ft	245.22
	Pond			Depreciated replacement cost			79.88
	Swimming Pool			Depreciated replacement cost			37.00
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.

14. PROPERTY, PLANT AND EQUIPMENT (Contd.)

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 Rs.	Cumulative Depreciation if assets were carried at cost Rs.	Net Carrying Amount 2022 Rs.	Net Carrying Amount 2021 Rs.
Land	627,141,368	-	627,141,368	627,141,368
Building	2,588,492,949	498,507,709	2,089,985,240	2,154,697,564
	3,215,634,317	498,507,709	2,717,126,608	2,781,838,932

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 2022, and no impairment loss was recognized.

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

	2022	2021
Discount rate :	20.35%	12.75%
Terminal growth rate :	3.00%	3.00%
Price per perch of land	Rs: 866,328	Rs: 800,000
Rate per square feet of building	Rs: 5,880 - Rs: 19,320	Rs: 2,855 - Rs: 17,000

Notes to the Financial Statements

As at 31 March

15. INTANGIBLE ASSETS

	2022			2021
	Website Development Rs.	Software Rs.	Total Rs.	Total Rs.
Cost				
At the beginning of the year	1,067,583	1,243,091	2,310,674	2,310,674
Acquisitions during the year	-	-	-	-
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	874,674	569,408	1,444,082	839,526
Amortization for the year	192,909	361,042	553,951	604,556
At the end of the year	1,067,583	930,450	1,998,033	1,444,082
Carrying amount	-	312,641	312,641	866,592

* 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

16. INVENTORIES

	2022 Rs.	2021 Rs.
Food & beverage	9,884,691	5,595,917
Housekeeping & engineering	1,011,255	3,019,140
Other stocks	8,722,186	4,912,606
	19,618,132	13,527,663

No impairment were recognized on the inventories.

17. TRADE AND OTHER RECEIVABLES

	2022 Rs.	2021 Rs.
Trade debtors - Others	24,943,373	7,911,167
- Related parties (17.1)	5,411,182	4,388,219
	30,354,555	12,299,386
Less: Impairment for trade debtors (17.4)	(5,965,423)	(5,965,423)
Total trade debtors (17.3)	24,389,132	6,333,963
Other debtors - Others	8,665,427	8,258,819
- Related Parties (17.2)	-	1,140,977
Current trade and other receivables	33,054,559	15,733,759
Non-current trade and other receivables (17.6)	-	52,361,295

17.1 Trade debtors - related parties

	Relationship	2022 Rs.	2021 Rs.
Triad (Pvt) Ltd.	Affiliate Company	1,461,071	1,305,071
George Steuart Travel (Pvt) Ltd.	Affiliate Company	439,977	-
George Steuart Health (Pvt) Ltd.	Affiliate Company	329,099	-
Power House Limited	Affiliate Company	2,469,185	2,393,310
George Steuart Solutions (Pvt) Ltd.	Affiliate Company	211,850	154,850
Printage (Pvt) Ltd.	Affiliate Company	-	34,988
Liberty Publishers (Pvt) Ltd.	Affiliate Company	500,000	500,000
		5,411,182	4,388,219

17.2 Other Debtors - related Parties

	Relationship	2022 Rs.	2021 Rs.
Hikkaduwa Beach Resort PLC	Parent Company	-	1,140,977
		-	1,140,977

Notes to the Financial Statements

As at 31 March

17. TRADE AND OTHER RECEIVABLES (Contd.)

17.3 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.	
2022						
Trade debtors	15,203,905	584,339	17,469	164,775	14,384,067	30,354,555
Less: Impairment for trade debtors	-	-	-	-	(5,965,423)	(5,965,423)
	<u>15,203,905</u>	<u>584,339</u>	<u>17,469</u>	<u>164,775</u>	<u>8,418,644</u>	<u>24,389,132</u>
2021						
Trade debtors	288,295	-	-	-	12,011,091	12,299,386
Less: Impairment for trade debtors	-	-	-	-	(5,965,423)	(5,965,423)
	<u>288,295</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,045,669</u>	<u>6,333,963</u>

17.4 Impairment for trade debtors

	2022 Rs.	2021 Rs.
As at beginning of the year	5,965,423	3,698,168
Charge for the year	-	2,267,255
As at end of the year	<u>5,965,423</u>	<u>5,965,423</u>

17. TRADE AND OTHER RECEIVABLES (Contd.)**17.5 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 Management has monitored the effect of the global and local economic downturn to its travel agents through frequent discussions with them. Based on the financial strength of them, negotiated the payment terms and future arrangements. 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 31.5 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 30.1

17.6 Other receivables - related parties

	Relationship	2022 Rs.	2021 Rs.
Hikkaduwa Beach Resort PLC	Parent Company	-	52,361,295
		-	52,361,295

18. ADVANCE AND PREPAYMENT

	2022 Rs.	2021 Rs.
Advances	12,541,427	8,572,095
Prepayments	5,946,608	5,579,546
	18,488,035	14,151,641

19. TAX RECEIVABLE

	2022 Rs.	2021 Rs.
ESC receivable	-	5,460,740
WHT receivable	752,996	752,997
	752,996	6,213,737

Notes to the Financial Statements

As at 31 March

20. CASH AND CASH EQUIVALENTS

	2022 Rs.	2021 Rs.
Short term bank deposit (20.1)	22,725,423	21,988,805
Cash at bank	3,098,731	1,780,697
Cash in hand	757,613	696,046
	26,581,767	24,465,548

20.1 Short term bank deposit

	Credit Rating	2022 Rs.	2021 Rs.
Sampath Bank PLC	AA-(Ika)	22,725,423	21,988,805
		22,725,423	21,988,805

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.

21. STATED CAPITAL

21.1 Issued and fully-paid - ordinary shares

As at 31 March	2022		2021	
	Number	Rs.	Number	Rs.
As at the beginning of the year	559,857,096	2,901,702,750	559,857,096	2,901,702,750
Issue of shares	-	-	-	-
As at the end of the year	559,857,096	2,901,702,750	559,857,096	2,901,702,750

22. 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.

	2022 Rs.	2021 Rs.
Revaluation reserve at the beginning of the year	1,068,531,931	743,788,003
Surplus on revaluation of land and building	888,289,601	377,609,219
Deferred tax effect on revaluation of land and building	(124,360,544)	(52,865,291)
Revaluation reserve at the end of the year	1,832,460,988	1,068,531,931

23. INTEREST BEARING LOANS AND BORROWINGS

	2022 Rs.	2021 Rs.
Non-current interest -bearing loans and borrowings		
Long term loans (23.1)	1,808,998,458	1,601,353,213
	1,808,998,458	1,601,353,213
Current interest -bearing loans and borrowings		
Long term loans (23.1)	61,009,490	64,377,524
Bank overdrafts	112,683,317	155,831,989
	173,692,807	220,209,513
Total interest-bearing loans and borrowings	1,982,691,265	1,821,562,726

23.1 Long term loans

	2022 Rs.	2021 Rs.
At the beginning of the year	1,665,730,737	1,564,361,149
Interest accrued during the moratorium period	204,277,211	76,569,588
Loan obtained during the year	-	24,800,000
At the end of the year	1,870,007,948	1,665,730,737
Current	61,009,490	64,377,524
Non Current	1,808,998,458	1,601,353,213
	1,870,007,948	1,665,730,737

Notes to the Financial Statements

As at 31 March

23. INTEREST BEARING LOANS AND BORROWINGS (Contd.) 23.2 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	
					2022 Rs.	2021 Rs.	2022 Rs.	2021 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 fixed deposits in the name of the Company and its successive renewal together with a company Letter of Set – Off.	15,082,487	17,158,614	22,725,423	21,988,805
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 JR Alahakone Licensed Surveyor.	45,187,222	82,939,718	4,809,320,000	4,000,380,115
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	Loan agreement for Rs. 602,000,000/- primary mortgage Bond for USD 8,120,000/- (Equivalent to Rs. 1,258,600,000/- approx.) and additional mortgage bond for Rs.617,000,000/- over land and building of Hotel Citrus Waskaduwa at No.427, Samanthara Road, Kuda Waskaduwa, Kaluthara, depicted as Lot 1 in Plan No.1761 dated 28 April 2011 made by JR Alahakone Licensed Surveyor.	530,000,000	540,500,000	4,809,320,000	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	
					2022 Rs.	2021 Rs.	2022 Rs.	2021 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	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.	833,900,000	844,400,000	4,809,320,000	4,000,380,115
Sampath Bank PLC	Moratorium Loan Facility	10% Per annum payable monthly together with statutory taxes	60 Monthly Instalments	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.	97,078,840	171,078,840	4,809,320,000	4,000,380,115
Sampath Bank PLC	Moratorium Loan Facility	10% Per annum payable monthly together with statutory taxes	60 Monthly Instalments	Loan agreement for Rs.11,780,000/- primary mortgage bond for USD 8,120,000/- (Equivalent to Rs.1,258,600,000/- approx.) and additional mortgage bond for Rs.617,000,000/- over land and building of Hotel Citrus Waskaduwa at No.427, Samanthara Road, Kuda Waskaduwa, Kaluthara, depicted as Lot 1 in Plan No.1761 dated 28 April 2011 made by J.R. Alahakone Licensed Surveyor.	4,882,935	9,110,935	4,809,320,000	4,000,380,115

Notes to the Financial Statements

As at 31 March

23. INTEREST BEARING LOANS AND BORROWINGS (Contd.)
23.2 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	
					2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Sampath Bank PLC	Moratorium Loan Facility	0% Interest	24 Monthly Instalments	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
Sampath Bank PLC	Moratorium Loan Facility	0% Interest	24 Monthly Instalments	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	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
Sampath Bank PLC	Moratorium Loan Facility	0% Interest	24 Monthly Instalments	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	Term Loan Facility (Under Saubagya - COVID-19 Renaissance Loan Scheme)	4% Per annum payable monthly together with statutory taxes	18 Monthly Instalments	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	15,000,000	4,809,320,000	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	
					2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Sampath Bank PLC	Term Loan Facility (Under Saubagya - COVID-19 Renaissance Loan Scheme)	4% Per annum payable monthly together with statutory taxes	18 Monthly Instalments	Loan agreement for Rs.9,800,000/- 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.	9,800,000	9,800,000	4,809,320,000	4,000,380,115
Sampath Bank PLC	Term Loan Facility - Amalgamated of Interest Moratorium	5.8% Per annum payable monthly together with statutory taxes	In 24 monthly instalments	Loan Agreement of Rs.137,270,658/08. Existing mortgage/s will be kept as an additional security.	113,114,297	-	4,809,320,000	-
Sampath Bank PLC	Term Loan Facility - Amalgamated of Interest Moratorium	5.8% Per annum payable monthly together with statutory taxes	In 24 monthly instalments	Loan Agreement of Rs.7,691,587/31. Existing mortgage/s will be kept as an additional security.	6,259,182	-	4,809,320,000	-
Sampath Bank PLC	Term Loan Facility - Amalgamated of Interest Moratorium	5.8% Per annum payable monthly together with statutory taxes	In 24 monthly instalments	Loan Agreement of Rs.112,547,244.36. Existing mortgage/s will be kept as an additional security.	103,547,244	-	4,809,320,000	-
Sampath Bank PLC	Term Loan Facility - Amalgamated of Interest Moratorium	5.8% Per annum payable monthly together with statutory taxes	In 24 monthly instalments	Loan Agreement of Rs.168,655,418/35. Existing mortgage/s will be kept as an additional security.	156,425,448	-	4,809,320,000	-

23. INTEREST BEARING LOANS AND BORROWINGS (Contd.)
23.2 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	
					2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Commercial Bank of Ceylon PLC	Permanent Overdraft	AWPLR+2.5% p.a. payable monthly together with statutory taxes (AWPLR to be reviewed monthly)	On demand	property called "Sanathoduwā situated in Kalpitiya and morefully depicted as Lots 1, 2, 3 & 4 in Plan No. 1765 dated 16th May 2011 by J.R. Alahakoon (L.S.), in extent of 78 A: 3 R. 1.00 P which is the amalgamation of the lands owned by the Hikkaduwa Beach Resort PLC under the Deed of Transfer No. 513 dated 14th February 2011, and the land obtained on lease by the Company from Asia Sports Management (Pvt) Ltd, an affiliated Company under the Deed of Lease No. 6289 dated 08th December 2010, and which is sub-leased to Hikkaduwa Beach Resort PLC (former Kalpitiya Beach Resort PLC) under the Deed of Sub Lease No. 514 dated 14th February 2011.	52,413,608	55,724,116	227,450,000	227,450,000

24. RETIREMENT BENEFIT OBLIGATION

	2022 Rs.	2021 Rs.
As at beginning of the year	9,610,163	7,106,443
Current service cost	1,916,283	1,941,768
Interest cost	672,711	710,644
Actuarial (gain)/loss arising from changes in assumptions	1,114,341	379,044
Past Service Cost	(76,137)	-
Payments made during the year	(2,137,962)	(527,736)
As at end of the year	11,099,399	9,610,163

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

	2022 Rs.	2021 Rs.
Expense recognized in profit or loss		
Current service cost	1,916,283	1,941,768
Interest cost	672,711	710,644
Past Service Cost	(76,137)	-
	2,512,857	2,652,412
Actuarial (gain)/loss recognized directly in OCI	1,114,341	379,044

24.2 Maturity profile of the defined benefit obligation

	2022 Rs.	2021 Rs.
Within the next 12 months	4,883,983	3,236,382
Between 1-2 Years	2,908,091	2,012,908
Between 3-5 Years	2,753,966	3,780,730
Between 6-10 Years	526,141	548,108
Beyond 10 Years	27,218	32,035
Total	11,099,399	9,610,163

Notes to the Financial Statements

As at 31 March

24. RETIREMENT BENEFIT OBLIGATION (Contd.)

24.3 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;

	2022 Rs.	2021 Rs.
Discount Rate as at 31 March		
Effect on DBO due to decrease in the discount rate by 1%	173,441	209,481
Effect on DBO due to increase in the discount rate by 1%	(166,989)	(200,346)
Salary escalation rate as at 31 March		
Effect on DBO due to decrease in salary escalation rate by 1%	(221,976)	(239,169)
Effect on DBO due to increase in salary escalation rate by 1%	227,028	245,844

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 used in preparing the sensitivity analysis from prior years.

24.4 The average duration of the defined benefit plan obligation at the end of the reporting period is 1.75 years. (2021 - 2.26 years)

24.5 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 2022. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

	2022	2021
Discount rate assumed	15.00%	7.00%
Future Salary increase rate	10%	8%
Staff turn over	45%	45%
Retirement age	60 years	55 years

24. RETIREMENT BENEFIT OBLIGATION (Contd.)

The Retirement Benefit Plan of the Company was amended due to the increase in retirement age enacted by the Minimum Retirement Age of Workers Act No. 28 of 2021. The following table demonstrates distribution of future working lifetime of the Post Employment Benefit Obligation (Undiscounted) as at the reporting date.

As on 17 Nov 2021, employees who have attained the age of	Retirement age
Less than 52 years	60 years
53 years	59 years
54 years	58 years
55 years	57 years

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

25. TRADE AND OTHER PAYABLES

	2022 Rs.	2021 Rs.
Trade Payables - others	35,580,700	32,688,030
- related Parties (25.1)	6,052,066	2,979,261
Other Payables - others	61,238,919	56,613,874
- related Parties (25.2)	693,011	-
Notes payable	79,350,710	52,421,839
Sundry creditors including accrued expenses	61,650,160	110,461,175
Current trade and other payables	244,565,565	255,164,179
Non- current trade and other payables (25.3)	28,561,494	-

For terms and conditions with related parties, refer to note 30.1.

For explanations on the Company's liquidity risk management processes, refer to note 31.

Notes to the Financial Statements

As at 31 March

25. TRADE AND OTHER PAYABLES (Contd.)

25.1 Trade Payables - related parties

	Relationship	2022 Rs.	2021 Rs.
George Steuart Consumer (Pvt) Ltd.	Affiliate Company	3,037,155	616,354
George Steuart Solutions (Pvt) Ltd.	Affiliate Company	571,243	4,860
Divasa Equity (Pvt) Ltd.	Affiliate Company	264,935	460,239
Triad (Pvt) Ltd.	Affiliate Company	658,443	624,693
Adpack Productions (Pvt) Ltd.	Affiliate Company	663,200	663,200
Emagewise (Pvt) Ltd.	Affiliate Company	757,252	595,252
Hammer BTL (Pvt) Ltd.	Affiliate Company	14,662	14,662
George Steuart Health (Pvt) Ltd.	Affiliate Company	33,000	-
Printage (Pvt) Ltd.	Affiliate Company	52,175	-
		6,052,066	2,979,261

25.2 Other payables - related Party

	Relationship	2022 Rs.	2021 Rs.
Hikkaduwa Beach Resort PLC	Parent Company	693,011	-
		693,011	-

25.3 Non- current trade and other payables

	Relationship	2022 Rs.	2021 Rs.
Hikkaduwa Beach Resort PLC	Parent Company	28,561,494	-
		28,561,494	-

26. CONTRACT LIABILITIES

26.1 Contract balances

	2022 Rs.	2021 Rs.
Advance received for future room reservations	5,302,150	1,380,486
Advance received for future banquet reservations	7,473,752	2,178,598
	12,775,902	3,559,084

These amounts will be settled for revenue within next 12 months

26. CONTRACT LIABILITIES (Contd.)**26.2 Contract liabilities**

	2022 Rs.	2021 Rs.
Contract liabilities balance at the beginning of the year	3,559,084	24,463,829
Revenue recognised in the reporting period that was included in the contract liability balance	(63,094,122)	(16,438,287)
Advances received from customers during the reporting period	72,726,202	7,321,569
Refunds made during the year	(415,262)	(11,788,026)
Contract liabilities balance at the end of the year	12,775,902	3,559,084

27. COMMITMENTS

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

28. CONTINGENT LIABILITIES

There were no material contingent liabilities as at 31 March 2022, which would require adjustment to, or disclosure in the financial statements.

29. 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 other than followings.

Interest Rate

The Monetary Board of the Central Bank of Sri Lanka, at its meeting held on 08th April 2022, decided to increase the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) of the Central Bank by 700 basis points to 13.50 per cent and 14.50 per cent, respectively, effective from the close of business on 08th April 2022. The policy response was made by the Central Bank of Sri Lanka after the reporting period and consequently, no adjustments were necessary to the amounts recognized in the financial statements. Given the continuing volatility of interest rate movement that resulted as a consequence, the Company is not able to make an estimate of its financial effect with acceptable precision.

Notes to the Financial Statements

Year ended 31 March

29. EVENTS OCCURRING AFTER THE REPORTING DATE (Contd.)

Foreign Currency Exchange Rates

In March 2022, the Central Bank of Sri Lanka abandoned the temporary peg on US Dollar / LK Rupee (USD / LKR) Exchange Rate. The resulting impact of exchange rate movement during the period have been adjusted to these financial statements. The USD / LKR exchange rate continued to substantively increase subsequent to the period end. However, no adjustments to these financial statements were necessary, as such large increases arose only after the period end. Given the continuing volatility of USD/ LKR movement, the Company is not able to make an estimate of its financial effect with acceptable precision.

30. RELATED PARTY DISCLOSURES

30.1 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 2022 and 2021, 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 20 to 21, Annual Report of the Board of Directors' on the Affairs of the Company.

30.2 Transaction with the parent and related entities

Details of significant related party disclosures are as follows:

Nature of Transaction	Intermediate Parent Company ^a		Parent Company ^{**}		Affiliate Companies ^{***}		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1 April	-	-	53,502,272	68,615,468	1,408,958	1,102,677	54,911,230	69,718,146
Recurrent transactions								
Fund transfers to	-	17,000,000	34,000,000	52,240,794	-	-	34,000,000	69,240,794
Funds received from	-	-	(29,700,000)	-	-	-	(29,700,000)	-
Inter Company settlement payments received	(2,071,108)	(18,259,671)	(87,322,060)	(70,100,000)	(249,534)	-	(89,642,702)	(88,359,671)
Expenses incurred on behalf of other companies	37,760	-	518,207	110,625	249,533	-	805,500	110,625
Expenses incurred on behalf of the Company	(6,686,053)	(4,885,260)	(18,620)	(246,510)	-	-	(6,704,673)	(5,131,770)
Collection made by the Company on behalf of others	-	-	(667,581)	(2,022,356)	(356,709)	-	(1,024,290)	(2,022,356)
Collection made by Others on behalf of the Company	5,646,851	-	383,400	7,000	3,675	-	6,033,926	7,000
Inter-company interest income	-	197,885	1,236,140	5,112,448	-	-	1,236,140	5,310,333
Inter-company interest expense	-	-	(686,261)	-	-	-	(686,261)	-
Management fee	(10,523,331)	(71,582,13)	(500,000)	(500,000)	-	-	(10,523,331)	(71,582,13)
Mortgage fee expenses	-	-	-	-	-	-	(500,000)	(500,000)
Payment made for interest, management fees and other settlements	13,595,881	13,105,259	-	-	9,455,276	6,019,191	23,051,156	19,124,450
Trading nature transactions (Sales)	-	-	-	339,514	3,741,103	118,412	3,741,103	457,926
Settlements for trading nature Transactions (sales receipts)	-	-	-	-	(2,723,152)	(436,004)	(2,723,152)	(436,004)
Purchase of goods/service	-	-	-	(54,711)	(12,170,034)	(5,395,320)	(12,170,034)	(5,450,031)
Total	-	-	(29,254,505)	53,502,272	(640,884)	1,408,958	(29,895,389)	54,911,230

30. RELATED PARTY DISCLOSURES (Contd.)

	Intermediate Parent Company*		Parent Company**		Affiliate Companies***		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Included under								
Trade and other receivables	-	-	-	1,140,977	5,411,182	4,388,219	5,411,182	5,529,196
Non-current trade and other receivables	-	-	-	52,361,295	-	-	-	52,361,295
Trade and other payables	-	-	(693,011)	-	(6,052,066)	(2,979,261)	(6,745,076)	(2,979,261)
Non-current trade and other payables	-	-	(28,561,494)	-	-	-	(28,561,494)	-
	-	-	(29,254,505)	53,502,272	(640,884)	1,408,958	(29,895,389)	54,911,230

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

* Intermediate parent company - Citrus Leisure PLC

** Parent company - Hikkaduwa Beach Resort PLC

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

30. RELATED PARTY DISCLOSURES (Contd.)

30.3 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 key management personnel of the Company are the members of it's board and that of it's parent.

30.3.1 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 2022 (2021 - 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 2022 (2021 - Nil)

Details of Directors and their shareholdings are given in the Annual Report of the Directors' on the Affairs of the Company on page 17.

Notes to the Financial Statements

Year ended 31 March

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

31.1 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.

31.2 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.

31.3 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 2022 and 2021.

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

31.3.1 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

Interest rate sensitivity

The following table demonstrates the sensitivity of the Company's profit before tax as affected through an impact on floating rate borrowings to a reasonably possible change in interest rates assuming all other variables being held constant.

		Change in Profit before tax	
		2022	2021
		Rs.	Rs.
Change in basis point	+50 (0.5%)	(9,350,040)	(8,356,690)
Change in basis point	-50 (-0.5%)	9,350,040	8,356,690
Change in basis point	+500 (5%)	(93,500,397)	(83,566,897)
Change in basis point	-500 (-5%)	93,500,397	83,566,897
Change in basis point	+1000 (10%)	(187,000,795)	(167,133,793)
Change in basis point	-1000 (-10%)	187,000,795	167,133,793

Notes to the Financial Statements

Year ended 31 March

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

31.3.2 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 Profit before tax	
		2022 Rs.	2021 Rs.
Change in exchange rate	+5%	166,952	42,668
Change in exchange rate	-5%	(166,952)	(42,668)
Change in exchange rate	+25%	834,760	213,341
Change in exchange rate	-25%	(834,760)	(213,341)

Foreign currency exchange rates

The exchange rates used for translations as at the reporting date are as follows:

As at	31.03.2022	31.03.2021
United States Dollar	288.74	197.62
Euro	325.72	229.87

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

31.4 Liquidity Risk

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

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

Maturity analysis

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2022 based on contractual undiscounted payments.

As at 31 March 2022	On Demand Rs.	Within 1 Year Rs.	Between 2-5 Years Rs.	Over 5 Years Rs.	Total Rs.
Interest-bearing loans and borrowings	112,683,317	61,009,490	877,328,713	931,669,745	1,982,691,265
Trade and other payables	211,748,144	32,817,421	-	-	244,565,565
	324,431,461	93,826,911	877,328,713	931,669,745	2,227,256,830

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

Notes to the Financial Statements

Year ended 31 March

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

31.5 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;

	2022 Rs.	2021 Rs.
Trade and other receivables	33,054,559	15,733,759
Investments in bank deposits	22,725,423	21,988,805
Cash at Bank	3,098,731	1,780,697
	58,878,713	39,503,261

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 2022 and 2021 is the carrying amounts as disclosed in Note 17.

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

	2022 Rs.	2021 Rs.
Individual debtors	1,834,674	1,834,674
Corporate debtors	31,219,885	13,899,085
	33,054,559	15,733,759

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 17.3 to the financial statements.

32. 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

- Long term related party borrowings

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

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

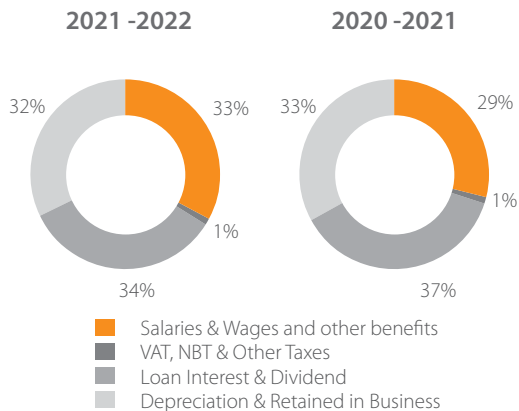
The Company's gearing ratio at 44% (2021 - 46%) . The Company manages its capital structure, and makes adjustments to it, in the light of changes in economic conditions, and continues looking for ways of improving its capital structure in order to support the Company's business strategies.

Five Year Summary

	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	
TRADING RESULTS						
Revenue	Rs:000s	693,580	795,681	623,281	238,607	350,847
Profit/(Loss) Before Tax	Rs:000s	(254,248)	(213,511)	(252,038)	(333,965)	(339,959)
Taxation (Expense)/Reversal	Rs:000s	(982)	198	(457)	(1,261)	(573)
Profit/(Loss) After Tax	Rs:000s	(255,230)	(213,314)	(252,495)	(335,226)	(340,532)
Funds employed						
Stated capital	Rs:000s	2,042,238	2,042,238	2,901,703	2,901,703	2,901,703
Capital Reserves	Rs:000s	743,788	743,788	743,788	1,068,532	1,832,461
Revenue reserves	Rs:000s	(1,044,618)	(1,257,769)	(1,511,283)	(1,846,835)	(2,188,326)
Borrowings	Rs:000s	1,708,983	1,548,920	1,721,217	1,821,563	1,982,691
Assets Employed						
Non-current assets	Rs:000s	4,367,436	4,179,697	4,092,383	4,312,197	5,024,327
Current assets	Rs:000s	151,189	161,445	121,633	74,092	98,495
Cashflow						
Net cash inflow/(outflow) from operating activities	Rs:000s	(83,013)	(117,176)	104,031	(35,643)	(14,737)
Net cash inflow/(outflow) from investing activities	Rs:000s	(50,007)	(24,621)	(75,639)	(731)	(21,101)
Net cash inflow/(outflow) from financing activities	Rs:000s	46,560	241,695	(28,805)	37,135	81,103
Increase / (decrease) in cash and cash equivalents	Rs:000s	(86,460)	99,898	(413)	762	45,265
Key Indicators						
Earnings/(Loss) per share - Basic/diluted	Rs.	(1.27)	(1.06)	(0.50)	(0.60)	(0.61)
Net assets value per share	Rs.	8.63	7.58	3.81	3.79	4.55
Market price per share	Rs.	3.20	2.30	3.50	3.10	2.00
Interest cover	Times	0.09	0.29	(0.27)	(1.04)	(1.15)
Dividend Per Share	Rs.	-	-	-	-	-
Dividend Payout Ratio	%	-	-	-	-	-

Statement of Value Added

	2021/22		2020/21	
	Rs.	%	Rs.	%
Turnover	390,189,165		264,889,930	
Other income	11,887,214		6,830,746	
	402,076,379		271,720,676	
Less: Cost of material & services bought in	(282,955,659)		(159,690,464)	
	119,120,720		112,030,212	
Value Allocated to Employees				
Salaries & wages and other benefits	150,680,392	33	130,753,390	29
To Government				
VAT, income tax & other taxes	4,207,339	1	3,675,564	1
To Providers of Capital				
Loan interest	159,009,019	34	166,999,035	37
To Expansion & Growth				
Depreciation & retained in business	145,756,057	32	145,828,638	33
	459,652,807	100	447,256,627	100



Share Information

ORDINARY SHAREHOLDERS

There were 2,801 registered shareholders as at 31st March 2022, distributed as follows.

From	To	No of Holders	No of Shares	%
1	1,000	1203	372,600	0.07
1,001	10,000	863	3,992,387	0.71
10,001	100,000	588	20,704,705	3.70
100,001	1,000,000	136	35,909,101	6.41
Over 1,000,000		11	498,878,303	89.11
Total		2,801	559,857,096	100.00

Analysis of Shareholders

Category	No of Holders	No of Shares	%
Local Individuals	2,657	57,676,385	10.30
Local Institutions	134	501,953,299	89.66
Foreign Individuals	10	227,412	0.04
Foreign Institutions	-	-	-
Total	2,801	559,857,096	100.00

The percentage of the shares held by public as at 31st March 2022 was 17.17% (As at 31st March 2021 was 10.03%) comprising 2,800 shareholders (As at 31st March 2021 was 1,876 shareholders).

The Float adjusted market capitalization of the Company as at 31 March 2022 is Rs: 192,274,224. The Company falls under Option 2 of Rule 7.14.1(b) of the Listing Rules of the CSE.

On 05th October 2021, Hikkaduwa Beach Resort PLC (the parent entity) divested 40,000,000 shares out of its 503,719,984 shares held in the capital of the Company, consequent to which the shareholding of Hikkaduwa Beach Resort PLC dropped from 89.97% to 82.83%.

Market Price per share

	2021/22 Rs.	2020/21 Rs.
Highest during the year	5.20 (01.10.2021)	5.70 (02.07.2020)
Lowest during the year	1.90 (31.03.2022)	2.70 (12.05.2020)
As at end of the year	2.00	3.10

20 Major Shareholders of the Company

	Name	No of Shares	(%)	No of Shares	(%)
		As at 31.03. 2022		As at 31.03. 2021	
1	Hikkaduwa Beach Resort PLC	463,719,984	82.83	503,719,984	89.97
2	Commercial Bank Of Ceylon PLC/Ayenka Holdings (Pvt) Limited	16,879,833	3.02	23,387,112	4.18
3	Mr K.L.D.N.N.M. Liyanage	5,600,000	1.00	Nil	Nil
4	Phantom Investments (Private) Limited	2,685,195	0.48	Nil	Nil
5	Merchant Bank Of Sri Lanka & Finance PLC 01	2,000,000	0.36	750,000	0.13
6	Seylan Bank PLC/ Nalaka Harshajeeva Godahewa	1,500,000	0.27	Nil	Nil
7	Merchant Bank Of Sri Lanka & Finance PLC/ W.P.A.M. Abesekara	1,463,580	0.26	Nil	Nil
8	LOLC Finance PLC/V.M.S. Gavasker	1,363,811	0.24	Nil	Nil
9	Hatton National Bank PLC/Ruwan Prassana Sugathadas	1,350,000	0.24	Nil	Nil
10	Ms B.C. Palihawadana	1,300,000	0.23	Nil	Nil
11	Mr C.W. Vandort	1,015,900	0.18	Nil	Nil
12	Mr M.S. Thassim	997,119	0.18	Nil	Nil
13	Mr K.Mathivanan	900,000	0.16	Nil	Nil
14	Mr H.A.K.N. Priyadharshana	850,000	0.15	287,000	0.05
15	Mr K.D.D. Kumara	733,283	0.13	Nil	Nil
16	Mr H.A. Nasar	717,051	0.13	667,097	0.12
17	People's Merchant Finance PLC/R.M.Samarakkody	706,310	0.13	Nil	Nil
18	Hatton National Bank PLC/Jude Nishantha Weerakoon	700,000	0.13	Nil	Nil
19	Mr M.N.M. Zackie	597,811	0.11	Nil	Nil
20	People's Merchant Finance PLC/A L S Abeyesundera	565,402	0.10	Nil	Nil
	Others	505,645,279	90.32	528,811,193	94.45
	Total	54,211,817	9.68	31,045,903	5.55
	Total	559,857,096	100.00	559,857,096	100.00

Share Information

Directors' and CEO's Shareholding;

Directors	No of Shares as at 31.03.2022	(%)	No of Shares as at 31.03.2021	(%)
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 Pilimalawwe	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 Eleventh (11th) Annual General Meeting of Waskaduwa Beach Resort PLC will be held on 26th September 2022 at 10.30 am at Sri Lanka Foundation Institute, Lecture Hall No. 03, No. 100, Sri Lanka Padanama Mawatha, Independence Square, Colombo 07 for the following purposes;

1. Ordinary Business

- 1.1 To receive the Annual Report of the Board of Directors on the affairs of the Company and the Financial Statements for the year ended 31st March 2022 and the Report of the Auditors thereon.
- 1.2 To pass the ordinary resolution set out below to re-appoint Mr. E P A Cooray who attained the age of 74 years, 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 attained the age of 74 years and that he be and is hereby re-appointed a Director of the Company.”
- 1.3 To re-elect Mr. R Seneviratne as a Director who retires by rotation in terms of Article 88 of the Articles of Association of the Company.
- 1.4 To re-appoint the retiring Auditors Messrs Ernst & Young, Chartered Accountants, as the Company's Auditors and to authorize the Directors to determine their remuneration.
- 1.5 To authorize the Directors to determine donations for the year ending 31st March 2023 and up to the date of the next Annual General Meeting.

2. Special Business

- 2.1 To consider and if thought fit, to pass the following resolution as a Special Resolution :
 “IT IS HEREBY RESOLVED to amend the Articles of Association of the Company, by deleting the existing heading, ‘Resolution in lieu of Meeting’ and the Article 58 in its entirety, and to substitute therefore the following new heading and the Article 58

METHODS OF HOLDING GENERAL MEETINGS

58. (1) A meeting of shareholders may be held either—
 - (i) by a number of shareholders who constitute a quorum, being assembled together at the place, date, and time appointed for the meeting; (hereinafter sometimes referred to as the physical General meeting); or
 - (ii) by means of audio, or audio and visual communication by which all shareholders participating and constituting a quorum, can simultaneously hear each other throughout the meeting, (hereinafter sometimes referred to as Electronic General Meeting); or
 - (iii) by a General Meeting held both physically and electronically (called Hybrid General Meetings); or
 - (iv) by means of a resolution in writing signed by not less than Eighty-Five percent (85%) of the Shareholders who would be entitled to vote on a resolution at a meeting of Shareholders, who together hold not less than Eighty-Five percent (85%) of the votes entitled to be cast on that resolution, shall be valid as if it had been passed at a General Meeting of those Shareholders.

Notice of Annual General Meeting

- (2) The Board shall determine whether a General Meeting is to be held as a physical General Meeting as referred to in 58. (1)(i) or held as an electronic General Meeting as referred to in 58. (1)(ii) or held as a Hybrid General Meetings, both physically and electronically as referred to in 58. (1)(iii) or by a Resolution in writing as referred to in 58. (1)(iv).
- (3) The Board shall specify in the notice calling the general meeting whether the meeting will be physical or electronic or hybrid or by a Resolution in writing. Such notice shall also specify the time, date, and place and/or electronic platform(s) of the General Meeting, as it is determined.
- (4) (i) when conducting an Electronic General Meeting the Board shall enable persons to simultaneously attend by electronic means with no member necessarily in physical attendance at the Electronic General Meeting. The members or their proxies present shall be counted in the quorum for, and entitled to vote at, the general meeting in question.
(ii) If it appears to the Chairman of the General Meeting that the electronic platform(s), facilities, or security at the Electronic General Meeting have become inadequate for the purposes referred to herein then the Chairman may, without the consent of the meeting, interrupt to resolve such inadequacy where possible or adjourn the General Meeting. All business conducted at that General Meeting up to the time of that adjournment shall be valid and the provisions of Article 62 shall apply to that adjournment.
(iii) In relation to an Electronic General Meeting, the right of a member to participate in the business of any General Meeting shall include, without limitation, the right to speak, vote on a poll, be represented by a proxy, and have access (including electronic access) to all documents which are required by the Act or these Articles to be made available for/at the meeting.

By order of the Board

Waskaduwa Beach Resort PLC



P W Corporate Secretarial (Pvt) Ltd

Secretaries

31 August 2022

Notes

1. A Shareholder entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend, speak and vote on behalf of him/hers.
2. A proxy need not be a Shareholder of the Company.
3. The Form of Proxy is enclosed for this purpose

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 Piliimalawwe 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 Eleventh Annual General Meeting of the Company to be held on 26th September 2022 at 10.30 a.m. and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof.

Ordinary Business

For Against

- 1. To pass the ordinary resolution set out below to re-appoint Mr. E P A Cooray who is 74 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 attained the age of 74 years and that he be and is hereby re-appointed a Director of the Company."
- 2. To re-elect Mr. R Seneviratne as a Director as who retires by rotation in terms of Article 88 of the Articles of Association of the Company.
- 3. To re-appoint the retiring Auditors Messrs Ernst & Young, Chartered Accountants as the Company's Auditors and authorise the Directors to determine their remuneration.
- 4. To authorize the Directors to determine donations for the year ending 31st March 2023 and up to the date of the next Annual General Meeting.

Special Business

For Against

- 1. To consider and if thought fit to pass the Special Resolution set out under item 2.1 of the Notice of Meeting for the amendments to the Articles of Association.

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

.....
 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.

WASKADUWA BEACH RESORT PLC

INSTRUCTIONS FOR 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 by 10.30 p.m. on 24th September 2022.
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. If you wish to appoint a person other than the Chairman or a Director of the Company as your Proxy, please insert the relevant details in the space provided.
5. Please indicate with a 'X' in the space provided how your Proxy is to vote on each resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.

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

Waskaduwa Beach Resort PLC
No. 56/1, Kynsey Road, Colombo 08.
Telephone : 0115 755 055 Fax : 0115 470 000
E-mail : direct@citrusleisure.com