

27th September 2022



Mr. R. Wijayawardhane
Chief Regulatory Officer
Colombo Stock Exchange
04-01, West Tower
World Trade Centre
Echelon Square
Colombo 01

Dear Sir,
ERRATA NOTICE

INDEPENDENT AUDITOR'S REPORT – ANNUAL REPORT 2021/2022

With reference to the Annual Report of Sigiriya Village Hotels PLC which was published on the website of the Colombo Stock Exchange, the Company wishes to inform that the following amendments were made to the Report of the Auditors included in the said statement of accounts.

On Page 17 – Independent Auditor's Report

Management Assessment of the Company's ability to continue as going concern – first paragraph should read as

The Company has incurred a net loss of Rs.18.4Mn for the year ended 31st March 2022, and the Company has also incurred negative operational cash flows of Rs. 4.6Mn for the year ended 31st March 2022. As of that date, the Company had total interest bearing borrowings of Rs. 174 Mn.

On Page 19 – Independent Auditor's Report

Signature of the auditor should depict as follows:

The Independent Auditor's Report incorporating the above changes is enclosed herewith.

Thank you.

Yours faithfully,

SIGIRIYA VILLAGE HOTELS PLC

CHAIRMAN

Hotel : Sigiriya Village Hotels PLC, P. O. Box - 1, Sigiriya, Sri Lanka. Tel +94-66-2286803/7

E-mail: rm@sigiriyavillage.lk

Sales & Reservations Office : Sigiriya Village Hotels PLC, 8 - 2/1, York Arcade Building, Leyden Bastian Road, Colombo 01

Tel: +94-11-2381644/ 2326927/ 2326938/ 2326951

E-mail: reservations@forthotels.lk, reservations@sigiriyavillage.lk

Website: www.colomboforthotels.com

Company No:- PQ 154

Independent Auditors' Report

B.R.DE SILVA & CO.
Chartered Accountants



1. Opinion

We have audited the Financial Statements of Sigiriya Village Hotels PLC ("the Company"), which comprise the statement of financial position as at 31st March 2022, and the statement of profit or loss and other 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 and other explanatory notes.

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

2. 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 the Institute of Chartered Accountants of Sri Lanka, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of Sri Lanka. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. 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. In addition to the matter described in the Basis for Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

a) Management assessment of the Company's ability to continue as going concern.

The company has incurred a net loss of Rs.18.4 Mn for the year ended 31st March 2022, and the company has also incurred negative operational cash flows of Rs. 4.6 Mn for the year ended 31st March 2022. As of that date, the company had total interest bearing borrowing of Rs. 174 Mn.

As disclosed in note No. 28, this area continues to be considered an area of risk for financial year 2021/2022 given the prevailing uncertain and volatile macro- economic environment. The company is required to make regular debt repayments and there are restrictive covenants over its debt. These factors coupled

with continued volatility in commodity prices, fuel shortages, foreign currency issue and recent social unrest have led to our increased focus on this area.

The directors evaluated the company's ability to continue as a going concern based on projections of the company's profit and cash inflows from operations and the ability of the company to obtain or renew bank loans and other financing facilities. As a result of their assessment, the directors believe that the company will generate sufficient cash flows to meet its liabilities as and when they fall due and payable in next twelve months and concluded that there are no material uncertainties related to events or conditions which individually or collectively, may cast significant doubt on the company's ability to continue as going concern.

We identified management assessment of the company's ability to continue as going concern and related disclosures as key audit matter because the cash flow projections referred to above involves consideration of future events and circumstances which are inherently uncertain, and effect of those uncertainties may significantly impact the resulting accounting estimates. Therefore the assessment requires the exercise of significant management judgment in assessing future cash inflows and outflows which could be subject to potential management bias.

Our Responses

Our Audit procedures included the following:

- Obtaining the cash flow projections converting period of not less than twelve months from reporting period end date and evaluating these key assumptions used in preparing the projections.
- Inspected the facility agreements for the Company's long – term loans to identify any financial covenants or similar terms and assessed the implication of these on the Company's liquidity.
- Assessed the adequacy of disclosures made in the financial statements in relation to the potential impact of COVID – 19 and, prevailing uncertainty and volatility of macro – economic environment to the Company's ability to continue as going concern

b) Transactions with related parties

Risk Description

Related party balances and transactions of the company are disclosed in notes (15), (25) & (31) to the financial statements.

The company is engaged in related party transactions during the ordinary course of business. A considerable part of interest income, interest expenses, other recurring expenditure and capital expenditure are channeled through related companies.

Due to the inherent risk attached to related party transactions we considered this as key audit matter

Independent Auditors' Report

Our Responses

Our Audit procedures included the following;

- Evaluated the process established by the management in identifying and reporting related party transactions
- Reviewed the reports of the related party transactions review committee.
- We read contracts and agreements with related parties to understand the nature, terms and conditions of the transactions.
- Reviewed a sample of transactions and ensured that transactions are taken place on arm's length basis.
- Critically examined the accuracy of inter company reconciliations carried out by the management on a quarterly basis.
- Checked the adequacy of disclosures made in relation to related party transactions.

4. Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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.

5. Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Sri Lanka Accounting Standards, and for such internal controls 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 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 have no realistic alternative but to do so.

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

6. 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 Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of 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 or 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.

Independent Auditors' Report

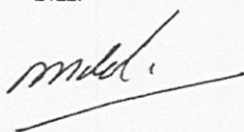
We also provide those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current year 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 it 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 FCA 2122.



B. R. DE SILVA & CO.
Chartered Accountants
Colombo 05.

26th August 2022

(LW/KU/sn (18/04))

Partners - N.S.C. De Silva FCA, FCMA(UK), CGMA, L.C. Piyasena FCA, LL.S. Wickremasinghe FCA,
F.S.N. Marikkar FCA, S.M.S.S Bandara MBA, FCA, D.S. De Silva LLB, Attorney-at-law
ACA, ACMA(UK), CGMA
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